No. 15-375

Title:	Supap Kirtsaeng, dba Bluechristine99, Petitioner v. John Wiley & Sons, Inc.
Docketed:	September 28, 2015
Linked with 15A170	
Lower Ct:	United States Court of Appeals for the Second Circuit
Case Nos.:	(14-344-cv)
Decision Date:	May 27, 2015

Questions Presented

----Date---	-------Proceedings and Orders----------
Aug 13 2015	Application (15A170) to extend the time to file a petition for a writ of certiorari from August 25, 2015 to September 24, 2015, submitted to Justice Ginsburg.
Aug 17 2015	Application (15A170) granted by Justice Ginsburg extending the time to file until September 24, 2015.
Sep 24 2015	Petition for a writ of certiorari filed. (Response due October 28, 2015)
Oct 5 2015	Order extending time to file response to petition to and including November 27, 2015.
Nov 24 2015	Brief of respondent John Wiley & Sons, Inc. in opposition filed.
Nov 27 2015	Letter of Rule 29.6 corporate disclosure statement received from counsel for respondent.
Dec 8 2015	Reply of petitioner Supap Kirtsaing, dba Bluechristine99 filed. (Distributed).
Dec 9 2015	DISTRIBUTED for Conference of January 8, 2016.
Jan 11 2016	DISTRIBUTED for Conference of January 15, 2016.
Jan 15 2016	Petition GRANTED.
Feb 11 2016	Consent to the filing of amicus curiae briefs, in support of either party or of neither party, received from counsel for the petitioner.
Feb 11 2016	Consent to the filing of amicus curiae briefs in support of either party or of neither party received from counsel for the respondent.
Feb 22 2016	Joint appendix filed. (Statement of costs filed.)
Feb 22 2016	Brief of petitioner Supap Kirtsaeng, dba Bluechristine99 filed.
Feb 29 2016	Brief amicus curiae of Public Knowledge filed.
Mar 4 2016	SET FOR ARGUMENT ON Monday, April 25, 2016
Mar 7 2016	Brief amicus curiae of Intellectual Property Owners Association in support of neither party filed.
Mar 7 2016	Brief amicus curiae of American Intellectual Property Law Association in support of neither party filed.
Mar 14 2016	Record requested from U.S.C.A. 2nd Circuit.
Mar 15 2016	CIRCULATED.
Mar 16 2016	Record received from the U.S.C.A. 2nd Circuit is electronic.

Mar 23 2016	Brief of respondent John Wiley & Sons, Inc. filed. (Distributed)
Mar 30 2016	Brief amicus curiae of Rimini Street, Inc. filed. (Distributed)
Mar 30 2016	Brief amicus curiae of United States filed. (Distributed)
Mar 30 2016	Motion of the Solicitor General for leave to participate in oral argument as amicus curiae and for divided argument filed.
Mar 30 2016	Brief amicus curiae of The Copyright Alliance filed. (Distributed)
Mar 30 2016	Brief amicus curiae of Volunteer Lawyers for the Arts, Inc. filed. (Distributed)
Apr 8 2016	Motion of the Solicitor General for leave to participate in oral argument as amicus curiae and for divided argument GRANTED.
Apr 11 2016	Reply of petitioner Supap Kirtsaeng, dba Bluechristine99 filed. (Distributed)
Apr 25 2016	Argued. For petitioner: E. Joshua Rosenkranz, New York, N. Y. For respondent: Paul M. Smith, Washington, D. C.; and Elaine J. Goldenberg, Assistant to the Solicitor General, Department of Justice, Washington, D. C. (for United States, as amicus curiae.)
Jun 16 2016	Judgment VACATED and case REMANDED. Kagan, J., delivered the opinion for a unanimous Court.
Jul 18 2016	JUDGMENT ISSUED

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No. 15-375

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG, DBA BLUECHRISTINE99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Section 505 of the Copyright Act provides that a "court may ... award a reasonable attorney's fee to the prevailing party" in a copyright case. 17 U.S.C. § 505. The Ninth and Eleventh Circuits award attorneys' fees when the prevailing party's successful claim or defense advanced the purposes of the Copyright Act. The Fifth and Seventh Circuits employ a presumption in favor of attorneys' fees for a prevailing party that the losing party must overcome. Other courts of appeals primarily employ the several "nonexclusive factors" this Court identified in dicta in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n.19 (1994). And the Second Circuit, as it did in this case, places "substantial weight" on whether the losing party's claim or defense was "objectively unreasonable." *Matthew Bender & Co. v. W. Publ'g Co.*, 240 F.3d 116, 122 (2d Cir. 2001).

The question presented is:

What is the appropriate standard for awarding attorneys' fees to a prevailing party under § 505 of the Copyright Act?

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INTRODUCTION

The paradigmatic example of a circuit split must be that a party would prevail in one court of appeals but lose on precisely the same issue in another court of appeals for the sole reason that the law in the courts of appeals differs. That is precisely the situation here.

Respondent John Wiley & Sons, Inc. ("Wiley") sued Petitioner Kirtsaeng for copyright infringement. Wiley is a publisher of textbooks and claimed that Kirtsaeng had infringed Wiley's copyrights in those textbooks by purchasing them in other countries, where Wiley sold them on the cheap, and then reselling them in the United States for less than Wiley sold the same books domestically. This Court held in *Kirtsaeng v. John Wiley & Sons, Inc.*, that under the "first sale" doctrine, codified at 17 U.S.C. § 109(a), Kirtsaeng, as the lawful owner of the particular physical copy of the textbook purchased abroad, was permitted to resell that copy of the book in the United States without infringing Wiley's copyright. 133 S. Ct. 1351 (2013), *reproduced at* Pet. App. 29a-113a.[1] After this Court's decision, the Second Circuit held (without dispute) that Kirtsaeng had a complete and absolute defense to Wiley's claim of infringement and reversed the original adverse judgment of the district court.

Having prevailed, Kirtsaeng sought his attorneys' fees under § 505 of the Copyright Act, by which

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[1] The appendix to this petition is "Pet. App." The Joint Appendix below is "C.A." Documents preceded by "C.A." were filed in the court of appeals.

a "court may ... award a reasonable attorney's fee to the prevailing party." 17 U.S.C. § 505. This is where the split comes into play. Had Kirtsaeng prevailed in the Ninth or Eleventh Circuit, he would have obtained his reasonable attorneys' fees. Had he prevailed in the Fifth or Seventh Circuits, he would have had a rebuttable presumption in favor of obtaining his attorneys' fees. Had he prevailed in the Third, Fourth, or Sixth Circuits, Kirtsaeng very likely would have obtained his attorneys' fees. Unluckily for Kirtsaeng, Wiley sued him in the Southern District of New York, and so when Kirtsaeng prevailed, he prevailed in the Second Circuit, where Second Circuit precedent meant Kirtsaeng could not obtain his attorneys' fees.

Unlike the other circuits, the Second Circuit places "substantial weight" on the whether the losing party's claim or defense was objectively unreasonable, Pet. App. 4a—which is to say, whether the losing party's claim was clearly without merit or devoid of legal or factual basis. The Second Circuit's emphasis on objective unreasonableness is not grounded in the fee provision of the Copyright Act. Instead, it originates in a rule from a bygone era, long rejected by this Court, that fee awards in copyright cases, especially for prevailing defendants, should be a rare punishment against plaintiffs who brought frivolous, baseless, or unreasonable lawsuits.

Because the Second Circuit's decision splits with the approaches of the other courts of appeals and is inconsistent with this Court's precedent, this Court should grant cert to address the proper standard for awarding fees under the Copyright Act.

OPINIONS AND ORDERS BELOW

The opinion of the court of appeals affirming the denial of Kirtsaeng's fee request is reported at 605 F App'x 48, and reproduced at Pet. App. 1a-5a. The district court's opinion is reported at 2013 U.S. Dist. LEXIS 179113, and reproduced at Pet. App. 6a-24a.

JURISDICTION

The court of appeals rendered its decision on May 27, 2015. On August 17, 2015, Justice Ginsburg extended the time for filing a petition to and including September 24, 2015. This Court has jurisdiction under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Section 505 of the Copyright Act provides:

> In any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.

17 U.S.C. § 505.

STATEMENT OF THE CASE

Wiley Erroneously Claims Kirtsaeng Infringed Its Copyrights

Kirtsaeng is a citizen of Thailand, who was temporarily living in the United States, studying mathematics at Cornell and then the University of Southern California. Pet. App. 34a. Kirtsaeng "paid for his education with the help of a Thai Government scholarship which required him to teach in Thailand for 10 years on his return." *Id.* After "successfully complet[ing] his undergraduate courses ... [and] a Ph.D.," Kirtsaeng "returned to Thailand to teach." *Id.*

Wiley is a publisher of textbooks in the United States and abroad. Pet. App. 32a. Many of the English-language textbooks Wiley sells abroad are "essentially equivalent" to the versions sold in the United States, with the exception of the price: The textbooks printed and sold abroad are sold "at low[er] prices" than those sold in the United States. Pet. App. 34a.

While "studying in the United States, Kirtsaeng asked his friends and family in Thailand to buy copies of foreign edition English-language textbooks at Thai book shops, where they were sold at low prices, and mail them to him in the United States." *Id.* "Kirtsaeng would then sell them, reimburse his family and friends, and keep the profit." *Id.*

In 2008, Wiley sued, claiming Kirtsaeng infringed its copyrights by bringing the textbooks into the United States and reselling them. Pet. App. 35a.

Kirtsaeng argued that the importation and resale of the textbooks was not copyright infringement under the "first sale" doctrine, codified at 17 U.S.C. § 109(a).[2] Under the "first sale" doctrine, the lawful owner of a particular "*copy*" of a work is "free to dispose of [that copy] as they wish" because "the 'first sale' has 'exhausted' the copyright owner's ... exclusive distribution rights" in that copy. Pet. App. 30a.

The district court held that Kirtsaeng could not use the "first sale" doctrine as a defense because, in the district court's view, the doctrine does not apply to foreign-manufactured works. Pet. App. 156a-87a. With Kirtsaeng unable to assert the "first sale" doctrine as a defense, the jury found that Kirtsaeng willfully infringed Wiley's copyrights and assessed $600,000 in statutory damages against Kirtsaeng. *See* Pet. App. 35a.

A divided panel of the Second Circuit agreed that the "first sale" doctrine does "not [apply] to foreign-manufactured works." Pet. App. 140a. In reaching its decision, the panel "freely acknowledge[d]" that the issue presented "a particularly difficult question of statutory construction." Pet. App. 141a. Indeed, whether the "first sale" doctrine applies to works manufactured abroad had divided this Court 4-4 just two terms earlier, *Costco Wholesale Corp. v. Omega S.A.*, 131 S. Ct. 565 (2010) (affirming by an equally divided Court). *See* Pet. App. 139a.

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[2] "Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title ... is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." 17 U.S.C. § 109(a).

This Court Vindicates Kirtsaeng And Clarifies The Scope Of The "First Sale" Doctrine

This Court granted Kirtsaeng's petition for certiorari and reversed. Pet. App. 35a-50a. In short, this Court concluded, based on the language of § 109(a), that so long as the work in question was made in compliance with the Copyright Act, the first sale of that copy—regardless of where it was manufactured or sold—extinguishes the copyright holder's exclusive right to, among other things, import and resell that copy of the work. Pet. App. 36a-50a.

In reaching its conclusion, the Court relied on the policy consequences highlighted by Kirtsaeng and his amici. Pet. App. 52a-56a. The amici—through their experience buying and selling copyrightable works manufactured abroad—demonstrated "the practical copyright-related harms" that would occur if, as Wiley had urged, works manufactured and sold abroad could not be imported and resold in the United States without prior approval of the copyright holder. These "horribles" included "the disruptive impact of the threat of [copyright] infringement suits" on "many, if not all, of" the "over $2.3 trillion worth of foreign goods [that] [a]re imported" and sold in the United States annually. Pet. App. 54a-55a. Such "horribles," this Court feared, were "too serious, too extensive, and too likely to come about" to ignore, "particularly in light of the ever-growing importance of foreign trade to America." Pet. App. 55a, 57a-58a.

Accordingly, relying on the statutory language of § 109(a), its legislative history, and consequences that would befall the economy under Wiley's inter-

pretation, the Court held that the "first sale" doctrine protected the importation and resale of works manufactured and purchased abroad.

This Court's decision in Kirtsaeng's favor came as a surprise to commentators who had been following the issue. C.A. 399-411. Kirtsaeng's defense had lost two terms earlier when this Court split 4-4. *See* Pet. App. 131a-132a. But in *Kirtsaeng*, with nine justices eligible to hear the matter, Kirtsaeng was able to prevail by taking a dramatically different approach to the statutes in question from the approach pressed by the defendant in the earlier case. C.A. 360-63 (¶¶ 22-24, 36). The shift in strategy worked, and Kirtsaeng prevailed 6-3, persuading the previously recused justice and another justice who must have sided against Kirtsaeng's position two years prior.

On remand, the Second Circuit held that "Kirtsaeng [has] a valid defense to copyright infringement," reversed the district court's judgment against Kirtsaeng, and remanded for further proceedings. Pet. App. 28a.

Kirtsaeng Seeks His Attorneys' Fees, And The Lower Courts Rule Against Him, Again

On remand, Kirtsaeng—as the now prevailing party—sought his attorneys' fees under § 505 of the Copyright Act. Wiley opposed Kirtsaeng's fee request both as to Kirtsaeng's entitlement to any fees and as to the reasonableness of the fees sought.

The district court held that Kirtsaeng was not entitled to fees at all (and therefore did not address

the reasonableness of the fees sought). Pet. App. 6a-24a. The district court began its analysis by finding that Wiley's suit was not "objectively unreasonable." Pet. App. 12a. Because the "[Second] Circuit has emphasized in particular the importance of ... objective unreasonableness," Pet. App. 10a, the rest of the district court's analysis flowed from that single finding. The court found "it ... true that this litigation clarified the boundaries of copyright law" and thus advanced the purposes of the Copyright Act. Pet. App. 18a. But, the court held that the "need to compensate" Kirtsaeng for vindicating his rights under the Copyright Act and advancing the Copyright Act's purposes was "not so strong as to outweigh the fact that Wiley's claim was not objectively unreasonable." Pet. App. 16a-17a. It did not matter that "Kirtsaeng's successful defense against Wiley's claim clarified the contours of the Copyright Act," that Kirtsaeng obtained a high "degree of ... success in this litigation," or that Kirtsaeng overcame a massive "imbalance of wealth and power between" him and Wiley. Pet. App. 17a-18a. To the district court, "none of these ... factors outweighs the substantial weight accorded to the objective reasonableness of Wiley's ultimately unsuccessful claim." Pet. App. 18a; *see also* Pet. App. 15a-16a (any litigation misconduct by Wiley also would "not outweigh the important factor that [Wiley's] claim was objectively reasonable").

Kirtsaeng appealed, and the Second Circuit affirmed. Pet. App. 1a-5a. The panel acknowledged that it did "not agree in every instance with the district court's evaluation." Pet. App. 5a. Nevertheless, applying binding Second Circuit precedent, the court of appeals held that the district court properly

"placed 'substantial weight' on the reasonableness" of the losing plaintiff's claim. Pet. App. 4a (quoting *Matthew Bender & Co. v. W. Publ'g Co.*, 240 F.3d 116, 122 (2d Cir. 2001)). To the Second Circuit, "the imposition of a fee award against a copyright holder with an objectively reasonable litigation position will generally not promote the purposes of the Copyright Act." *Id.* (quoting *Matthew Bender*, 240 F.3d at 122). Thus, it did not matter that many other factors supported Kirtsaeng's request for fees because "th[o]se factors did not outweigh the 'substantial weight' afforded to John Wiley and Sons' objective reasonableness." Pet. App. 5a.

REASONS FOR GRANTING THE PETITION

This Court should grant the petition because: (I) the courts of appeals are in utter disarray about the standard for considering fee requests under the Copyright Act; (II) the decision below contravenes this Court's precedent; and (III) this case presents an ideal vehicle to consider this important question of federal law.

I. The Courts Of Appeals Are Hopelessly Split On The Proper Standard For Fee Awards Under The Copyright Act

Section 505 of the Copyright Act provides plainly that, in a copyright case, a "court may ... award a reasonable attorney's fee to the prevailing party as part of the costs." Nevertheless, the courts of appeals have long struggled with how to apply that simple statute.

Prior to this Court's decision in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 520-21 (1994), the courts of appeals were divided about whether § 505 authorized courts to award attorneys' fees to "prevailing plaintiffs ... as a matter of course," but only to "prevailing defendants ... [who] show that the original suit was frivolous or brought in bad faith." This double standard on attorneys' fees for prevailing plaintiffs and defendants was borne out of an old district court precedent from within the Second Circuit that held: "In the case of a prevailing defendant, ... if an award is to be made at all, it represents a penalty imposed upon the plaintiff for institution of a baseless, frivolous, or unreasonable suit, or one instituted in bad faith." *Id.* at 532 n.18 (quoting *Breffort v. I Had a Ball Co.*, 271 F. Supp. 623, 627 (S.D.N.Y. 1967)); *see id.* at 521 n.8 (observing that the Second Circuit applied a disparate standard that placed "a greater burden ... upon prevailing defendants than prevailing plaintiffs").

Fogerty "reject[ed]" what this Court dubbed the "'dual' standard" treating prevailing plaintiffs "differently" from prevailing defendants. *Id.* at 520, 533. Because "a successful defense of a copyright infringement action may further the policies of the Copyright Act," "defendants who seek to advance a variety of meritorious copyright defenses should be encouraged to litigate them to the same extent that plaintiffs are encouraged to litigate meritorious claims of infringement." *Id.* at 527. In holding that "[p]revailing plaintiffs and prevailing defendants are to be treated alike," *id.* at 534, this Court offered "several nonexclusive factors" that courts "may" consider to "guide [their] discretion" under § 505, *id.* at 534 n.19. Those "nonexclusive factors ... include

'frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.'" *Id.* (citation omitted). This Court made clear, however, that any factors may be used in considering whether to award fees to a prevailing party under the Copyright Act, but only "so long as such factors are faithful to the purposes of the Copyright Act." *Id.* "[F]aithful[ness] to the purposes of the Copyright Act" was to be the primary "guide" to lower "courts' discretion." *Id.*

Even since *Fogerty*, the courts of appeals have continued to struggle with the standard for awarding attorneys' fees under § 505. Eight courts of appeals have split at least four ways in considering defendants' fee requests under § 505. Those standards range from a presumption in favor of fee awards (Fifth and Seventh Circuits) to a presumption against fee awards when the losing party's claims or defenses were not objectively unreasonable (Second Circuit).

A. One camp asks simply whether the prevailing party's claim or defense furthered the interests of the Copyright Act, with no presumptions one way or the other.

This is the approach in the Ninth Circuit, for example, where this Court's *Fogerty* decision originated. After this Court overruled the Ninth Circuit's dual approach to attorneys' fees under § 505 in *Fogerty*, the matter was remanded for consideration of fees under an evenhanded approach. 510 U.S. at 520-21. Freed from the dual approach, the district

court awarded the prevailing defendant his attorneys' fees, and the Ninth Circuit affirmed. *Fantasy, Inc. v. Fogerty*, 94 F.3d 553, 555 (9th Cir. 1996).

On appeal, the Ninth Circuit rejected the losing plaintiff's argument that fees should not be awarded because it had no "culpability"—i.e., its claims were not unreasonable or frivolous. "[A]ttorney's fee awards to prevailing defendants are within the district court's discretion if they further the purposes of the Copyright Act and are evenhandedly applied." *Id.* at 558; *accord id.* at 559 (collecting cases about the "importance of promoting the Copyright Act's objectives in considering attorney's fee awards"). This rule, the Ninth Circuit explained, derives from this Court's instruction that factors cannot be considered "if they are not 'faithful to the purposes of the Copyright Act.'" *Id.* at 558 (quoting *Fogerty*, 510 U.S. at 534 n.19). "Faithfulness to the purposes of the Copyright Act," the Ninth Circuit explained, "is, therefore, the pivotal criterion" in assessing a fee request under § 505. *Id.* In *Fantasy v. Fogerty*, because defendant Fogerty's "victory on the merits furthered the purposes of the Copyright Act," the Ninth Circuit held that he was entitled to his fees under the Copyright Act. *Id.* at 555; *accord id.* at 559 ("Fogerty's defense sufficiently furthered the purposes of the Copyright Act to warrant an award of attorney's fees.").

The Eleventh Circuit's analysis also focuses on whether the successful claim or defense of the prevailing party advanced the purposes of the Copyright Act: "The *touchstone* of attorney's fees under § 505 is whether imposition of attorney's fees will *further the interests of the Copyright Act, i.e.*, by encouraging the

raising of objectively reasonable claims and defenses, which may serve not only to deter infringement but also to ensure 'that the boundaries of copyright law are demarcated as clearly as possible.'" *MiTek Holdings Inc. v. Arce Eng'g Co.*, 198 F.3d 840, 842-43 (11th Cir. 1999) (emphasis added) (quoting *Fogerty*, 510 U.S. at 527). "[I]n determining whether to award attorney's fees under § 505, the district court should consider ... whether imposition of fees will further the goals of the Copyright Act." *Id.* at 843. In *MiTek*, the Eleventh Circuit vacated and remanded "[b]ecause the district court did not assess whether imposition of attorney's fees would further the goals of the Copyright Act." *Id.*

B. By contrast, the Fifth and Seventh Circuits do not initially rely on a case-by-case analysis when considering a request for fees in a copyright case. Instead, both courts of appeals apply a presumption in favor of a fee award for prevailing parties. "Since *Fogerty* we have held that the prevailing party in copyright litigation is *presumptively entitled* to reimbursement of its attorneys' fees." *Riviera Distribs., Inc. v. Jones*, 517 F.3d 926, 928 (7th Cir. 2008) (emphasis added). Thus, the question in the Seventh Circuit is not whether the prevailing party is entitled to attorneys' fees, but rather: "Is there any reason not to honor the presumption that the prevailing party, plaintiff or defendant, recovers attorneys' fees under § 505?" *Id.* (emphasis omitted).

The Seventh Circuit adopted this rebuttable presumption in favor of fee awards because "an award of attorneys' fees may be necessary to enable the party possessing the meritorious claim or defense to press it to a successful conclusion rather than sur-

render it because the cost of vindication exceeds the private benefit to the party." *Assessment Techs. of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 437 (7th Cir. 2004). The Seventh Circuit explains that its presumption in favor of fees advances the purposes of the Copyright Act by incentivizing parties who would otherwise "be under pressure to throw in the towel" to continue litigating, *id.*, thereby further clarifying the boundaries of the Copyright Act and providing greater public access to copyrightable works, *see Fogerty*, 510 U.S. at 527

While it does not use the term "presumption," the Fifth Circuit follows the Seventh Circuit in awarding fees under § 505 unless the losing party proves that fees should not be awarded. Under the Fifth Circuit's analysis: "'[A]lthough attorney's fees are awarded in the trial court's discretion in copyright cases, they are the *rule rather than the exception* and should be awarded *routinely*.'" *Hogan Sys., Inc. v. Cybresource Int'l, Inc.*, 158 F.3d 319, 325 (5th Cir. 1998) (emphasis added) (quoting *McGaughey v. Twentieth Century Fox Film Corp.*, 12 F.3d 62, 65 (5th Cir. 1994)).[3]

C. Still other courts of appeals—namely the Third, Fourth, and Sixth Circuits—have forged yet another path that does not employ a presumption or

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[3] The Sixth Circuit agrees that "[t]he grant of fees and costs is the rule rather than the exception and they should be awarded routinely," *Bridgeport Music, Inc. v. WB Music Corp.*, 520 F.3d 588, 592 (6th Cir. 2008) (quotation marks and brackets omitted), though, as explained *infra*, the Sixth Circuit still predominantly applies the four factors mentioned in *Fogerty*.

explicitly consider whether the prevailing party advanced the purposes of the Copyright Act.

Instead, these courts rely on the four "nonexclusive factors" listed in *Fogerty* as factors that courts "may ... use[] to guide" their analysis—"'frivolousness, motivation, objective unreasonableness ...[,] and ... considerations of compensation and deterrence.'" 510 U.S. at 534 n.19 (quoting *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151, 156 (3d Cir. 1986)). The Third Circuit has continued to follow its pre-*Fogerty* analysis, and the Sixth Circuit has similarly adopted this Court's nonexclusive factors as the factors to consider when considering a fee award. *See Thoroughbred Software Int'l, Inc. v. Dice Corp.*, 488 F.3d 352, 361 (6th Cir. 2007) ("This Court uses [the] four non-exclusive [*Fogerty*] factors ...."); *Lieb*, 788 F.2d at 156. Meanwhile, the Fourth Circuit uses three of the four *Fogerty* factors as well as "any other relevant factor presented." *Bond v. Blum*, 317 F.3d 385, 397 (4th Cir. 2003) (quotation marks omitted).

Further complicating matters, the Fifth Circuit does "not require" that its courts consider any of the factors identified in *Fogerty* and, instead, has accepted the district court's use of a 12-factor analysis wholly separate from *Fogerty*. *See Hogan Sys., Inc.*, 158 F.3d at 325 (accepting factors from *Johnson v. GA Highway Exp., Inc.*, 488 F.2d 714, 717-19 (5th Cir. 1974)).

D. Despite the disarray in the seven previously discussed courts of appeals, the Second Circuit parts ways with all of them and holds to yet another approach. Rather than awarding fees when the prevailing party has advanced the purposes of the

Copyright Act or adopting a presumption in favor of fee awards or weighing a wide range of factors, the Second Circuit acknowledges the four factors mentioned in *Fogerty* but then, as it did in this case, places "substantial weight" on the reasonableness of the losing party's claim. Pet. App. 4a (quoting *Matthew Bender*, 240 F.3d at 122). Instead of considering whether the successful claim or defense has advanced the purposes of the Copyright Act, the Second Circuit holds that "'the imposition of a fee award'" against a party who has advanced an "'objectively reasonable'" claim or defense does "'not promote the purposes of the Copyright Act.'" *Id.* (quoting *Matthew Bender*, 240 F.3d at 122).

By definition, a claim or defense that is "unreasonable" is one that is outside the norm of a usual claim, so, by applying a rule that attorneys' fees are generally not awarded except when the losing party's claim or defense was *un*reasonable, the Second Circuit has created a presumption *against* awarding fees. *See Lava Records LLC v. Amurao*, 354 F. App'x 461, 462-63 (2d Cir. 2009) (declining to adopt Fifth and Seventh Circuit's presumptions). Awarding fees principally when a suit or defense is *unreasonable* makes the award of fees to prevailing parties the exception rather than the rule.

II. The Decision Below Conflicts With This Court's Established Precedents

Not only is § 505 devoid of any indication that objective reasonableness is a factor to be given "'substantial weight,'" Pet. App. 5a, but affording objective reasonableness such undue weight contravenes this Court's decision in *Fogerty* as well as its recent

decision interpreting the fee provision of the Patent Act.

A. The Decision Below Is Inconsistent With This Court's Authority Interpreting The Copyright Act

The Copyright Act arises from constitutional imperative "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const., Art. I, § 8, cl. 8. As the constitutional grant makes clear, while "[t]he immediate effect of our copyright law is to secure a fair return for an author's creative labor[,] ... the ultimate aim is, by this incentive, to stimulate artistic creativity *for the general public good*." *Fogerty*, 510 U.S. at 526-27 (emphasis added; additional quotation marks omitted) (quoting *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975)). "'The primary objective of copyright [law] is not to reward the labor of authors, but "to promote the Progress of Science and useful Arts."'" *Id.* at 527 (brackets omitted) (quoting *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349-50 (1991)).

"[C]opyright law ultimately serves the purpose of enriching the general public through access to creative works." *Id.* at 527. Accordingly, this Court has counseled that "it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible." *Id.* "To that end, defendants who seek to advance a variety of meritorious copyright defenses should be encouraged to litigate them to the same extent that plaintiffs are encouraged to litigate meritorious clams of infringement" because "a successful

defense of a copyright infringement action may further the policies of the Copyright Act every bit as much as a successful prosecution of an infringement claim." *Id.*

Having elucidated the "primary objective" of the Copyright Act and the critical role that "meritorious copyright defenses" can play in advancing the Copyright Act's primary objective, *id.* (quotation marks omitted), *Fogerty* instructed that any factor "may be used to guide courts' discretion [in awarding attorneys' fees under § 505]," including the nonexclusive factors it listed, but only "so long as such factors [1] are faithful to the purposes of the Copyright Act and [2] are applied to prevailing plaintiffs and defendants in an evenhanded manner," *id.* at 534 n.19.

The Second Circuit's approach flouts both of these limitations from *Fogerty*.

Faithfulness to the purposes of the Copyright Act. This Court's rationale for awarding fees to prevailing parties is that their successful claims or defenses can advance the purposes of the Copyright Act by helping to clarify the boundaries of copyright law and thus either incentivize creativity or secure public access to copyrightable works. *Id.* at 527.

This case is exhibit 1 of a case where the meritorious defense of a prevailing defendant clarified the boundaries of copyright law and secured public access to copyrightable works.

First, before this Court's decision in *Kirtsaeng*, this Court was divided 4-4 on whether the "first sale"

doctrine protects the importation and resale of works manufactured and purchased abroad. *See* Pet. App. 35a-36a. Before this Court's decision, no court of appeals had applied the "first sale" doctrine to works manufactured and sold abroad, and it appeared that five justices[4] had concluded that the "first sale" doctrine did not apply to works manufactured and sold abroad. But Kirtsaeng vigorously pursued his defense in the face of those long odds, ultimately persuading this Court that the "first sale" doctrine does indeed apply to works sold abroad. In accepting Kirtsaeng's reading of the relevant statutory provisions, this Court definitively resolved the issue and held that works lawfully manufactured and sold abroad can be imported and resold in the United States without fear of copyright infringement liability, Pet. App. 35a-69a, thereby clarifying the law and "demarcat[ing] as clearly as possible" "the boundaries of copyright law" in this critical area, *see Fogerty*, 510 U.S. at 527.

That is undisputed. The district court found "it is true that this litigation clarified the boundaries of copyright law," Pet. App. 18a, and Wiley conceded the same in the briefing below, Wiley C.A. Ans. Br. 35 ("It is certainly true that the litigation has resulted in a clarification of the boundaries of copyright law."); C.A. 554 ("The parties' respective litigation efforts together contributed to clarification of the boundaries of copyright law." (emphasis omitted)). Indeed, this is the case that proves the rule in *Foger-*

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[4] The five justices were the four that had voted against the defendant's position in *Costco* and the justice who was recused for having filed a brief in *Costco* against the defendant's position.

ty: Absent Kirtsaeng pursuing his "first sale" defense all the way through the Supreme Court, the boundaries of copyright law as it relates to the importation and resale of copyrighted goods would be unclear, at best, or, worse, drawn in a way that undermines the widespread dissemination of copyrightable works. *See* Pet. App. 52a-56a (this Court explaining real-world consequences of Wiley's proposed reading).

Second, Kirtsaeng's successful pursuit of his "first sale" defense "enrich[ed] the general public" and "serve[d] the public good" by enhancing the public's access to copyrighted works. *Fogerty*, 510 U.S. at 526-27 Under Wiley's urged reading of the "first sale" doctrine, works manufactured and purchased abroad could not be imported and resold in the United States without the copyright holder's permission. Such a reading would have wrought horrendous "practical copyright-related harms ... threaten[ing] ordinary scholarly, artistic, commercial, and consumer activities." Pet. App. 38a; *accord* Pet. App. 52a-56a.

For example, computers and other electronics manufactured abroad and containing copyrighted software could not be imported and resold in the United States without the permission of the copyright holder. Equipment containing copyrighted instructions and user manuals also could not be imported and resold. Libraries and used bookstores looking to import foreign-printed books as well as clothing retailers trying to import foreign-manufactured clothing with copyrighted designs would be unable to do so without the copyright-holder's permission. Even museums planning to import priceless works of foreign art would be unable to

do so without the prior approval of the copyright holder, the identity of whom may be impossible to determine.

As the foregoing demonstrates, "reliance upon the 'first sale' doctrine is deeply embedded in the practices of ... booksellers, libraries, museums, and retailers[] who have long relied upon its protection" to save them from claims of copyright infringement for importing and reselling works manufactured abroad. Pet. App. 56a. Indeed, this Court tallied that "many, if not all, of" the "over $2.3 trillion worth of foreign goods [that] [a]re imported" and sold in the United States every year would be subject "to the disruptive impact of the threat of [copyright] infringement suits" under Wiley's proposed reading of the "first sale" doctrine. Pet. App. 52a-55a.

And, yet, the Second Circuit's emphasis on objective reasonableness has nothing to do with encouraging meritorious claims and defenses to clarify copyright law and advance the Copyright Act's purpose. The Second Circuit affords "'substantial weight'" to the objective-reasonableness factor, Pet. App. 4a (quoting *Matthew Bender*, 240 F.3d at 122), because, as the Second Circuit sees it: "'[T]he imposition of a fee award against a copyright holder with an objectively reasonable litigation position will generally *not* promote the purposes of the Copyright Act,'" Pet. App. 4a (emphasis added) (quoting *Matthew Bender*, 240 F.3d at 122). Under that approach, losing parties whose losing arguments were objectively reasonable will not be sanctioned with an adverse fee award whereas losing parties whose losing arguments were objectively *un*reasonable will be. Such an approach is not about encouraging meritori-

ous claims and defenses but instead about *discouraging* unreasonable claims and defenses by *punishing* the party that brought them through an adverse fee award.

This sort of punishment-oriented approach to fee awards under the Copyright Act was part of what this Court rejected in *Fogerty*. Prior to *Fogerty*, an award of fees to a prevailing defendant would "represent[] a penalty imposed upon the plaintiff for institution of a ... unreasonable suit." 510 U.S. at 532 n.18 (quoting *Breffort*, 271 F. Supp. at 627). *Fogerty* rejected it as "too narrow a view of the purposes of the Copyright Act because it fails to adequately consider the important role played by copyright defendants." *Id.* Specifically, such an approach fails to take into account that "a successful defense of a copyright infringement action may further the policies of the Copyright Act every bit as much as a successful prosecution of an infringement claim." *Id.* at 527. Defenses codified in the Copyright Act itself, such as the "first sale" doctrine, 17 U.S.C. § 109(a), enhance dissemination of expression, thereby promoting the purposes of the Copyright Act and thus should be encouraged. This is especially so when both sides have raised colorable arguments, rather than when one side's arguments are objectively unreasonable. *See Lotus Dev. Corp. v. Borland Int'l, Inc.*, 140 F.3d 70, 75 (1st Cir. 1998) ("[A] copyright defendant's success on the merits in a case of first impression may militate in favor of a fee award" because "[w]hen close infringement cases are litigated, copyright law benefits from the resulting clarification of the doctrine's boundaries.").

The decision below asserted, without explanation, that the Second Circuit's "'emphasis on objective reasonableness was firmly rooted in the Supreme Court's admonition that any factor a court considers in deciding whether to award attorneys' fees must be 'faithful to the purposes of the Copyright Act.'" Pet. App. 4a (quoting *Matthew Bender*, 240 F.3d at 122). But the panels, both below and in *Matthew Bender*, do not explain why objective reasonableness is rooted in faithfulness to the Copyright Act's purposes—nor is an explanation apparent. *Matthew Bender* observes that the "principle purpose" of the Copyright Act is "encourag[ing] the origination of creative works." 240 F.3d at 122 (quotation marks omitted). And even if this Court had not already rejected such a narrow reading of the Copyright Act's purpose, *supra* 17-18; *see also Golan v. Holder*, 132 S. Ct. 873, 888-89 (2012), it would not explain why objective reasonableness is relevant to—much less firmly rooted in—faithfulness to the Copyright Act's purpose.

Accordingly, it is no answer to say, as the courts below did, that the Second Circuit's jurisprudence "reserve[s] a space for district courts to decide that other factors may outweigh the objective unreasonableness factor." Pet. App. 4a (quoting Pet. App. 13a). The court of appeals here held that any other factors supporting an award of fees for Kirtsaeng, such as advancing the Copyright Act's purposes, "did not outweigh the 'substantial weight' afforded to ... objective reasonableness." Pet. App. 5a. Determining whether or not advancing the purposes of the Copyright Act "outweigh[s]" the objective reasonableness of the losing party, *id.*, does not make "faithful[ness] to the purposes of the Copyright Act" the principal

consideration in determining whether to award fees. *Fogerty*, 510 U.S. at 534 n.19. Instead, objective reasonableness becomes the primary consideration, one that can only be overcome—or "outweigh[ed]"—with other particularly strong showings. Pet. App. 5a.

To be sure, there is nothing wrong with discouraging parties from bringing objectively unreasonable claims and defenses. Rule 11 of the Federal Rules of Civil Procedure performs that function admirably and thus makes § 505 unnecessary under the Second Circuit's standard. In any event, the "policies served by the Copyright Act are more complex[] [and] more measured" than simply punishing parties for bringing unreasonable claims and defenses. *See Fogerty*, 510 U.S. at 526.

Requiring evenhanded consideration of fee requests. In *Fogerty*, this Court insisted that lower courts must consider fee requests in "an evenhanded manner." 510 U.S. at 534 n.19. But, again, the Second Circuit's approach contravenes this Court's instruction.

The Second Circuit emphasizes objective reasonableness because "'the imposition of a fee award against a *copyright holder* with an objectively reasonable position will generally not promote the purposes of the Copyright Act.'" Pet. App. 4a (emphasis added) (quoting *Matthew Bender*, 240 F.3d at 122). But this rationale is, itself, not evenhanded. It speaks only to the objectively reasonable claims of a copyright holder, not of those by an accused defendant. Instead, the Second Circuit's approach is a return to its own past practice of favoring fee awards for prevailing plaintiffs and only awarding fees

against prevailing plaintiffs when it is a "'penalty imposed'" against them for instituting a "'baseless, frivolous, or unreasonable suit.'" *Fogerty*, 510 U.S. at 532 n.18 (quoting *Breffort*, 271 F Supp. at 627); *id.* at 521 n.8 (identifying Second Circuit as one of the courts of appeals that applied a disparate "'dual' standard" to prevailing plaintiffs and prevailing defendants).

Though the plain terms of a rule that heavily weights "objective reasonableness" need not evince a dual approach to fee awards, the practical effect is that prevailing plaintiffs much more easily obtain fee awards than prevailing defendants. Our research reveals that the Second Circuit has never approved a fee award to a prevailing defendant under the Copyright Act unless the plaintiff's suit was objectively unreasonable. By contrast, however, the Second Circuit has approved a fee award to a prevailing plaintiff even though the defendant's defenses were "non-frivolous[] [and] objectively reasonable." *L.A. Printex Indus., Inc. v. Pretty Girl of Cal., Inc.*, 543 F. App'x 106, 107 (2d Cir. 2013) (affirming fee award for prevailing plaintiff). The difference, the Second Circuit has reasoned, is that fee awards for prevailing plaintiffs against losing defendants often are "in line with the statutory goal of deterrence [of copyright violations]." *Kepner-Tregoe, Inc. v. Vroom*, 186 F.3d 283, 289 (2d Cir. 1999) (affirming fee award for a prevailing plaintiff). Because awards for prevailing defendants against losing plaintiffs do not further the goal of *deterring copyright violations*, under the Second Circuit's approach, prevailing defendants are much less likely to obtain their attorneys' fees. That is not the evenhanded approach this Court mandated in *Fogerty*.

B. The Decision Below Equates The Standard In Copyright Cases With The Much Higher Standard In Patent Cases

This Court recently addressed the standard for attorneys' fees under the very different fee provision of the Patent Act. Under the Patent Act, attorneys' fees are permitted only "in exceptional cases," 35 U.S.C. § 285. *See Fogerty*, 510 U.S. at 525 n.12 (contrasting the Copyright Act and Patent Act fee provisions).

In considering when a case is "'exceptional'" under the Patent Act, this Court recently held that fees are warranted when the case "stands out from others with respect to the substantive strength [or weakness] of a party's litigati[on] position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated." *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014). "[A] case presenting ... exceptionally meritless claims may sufficiently set itself apart from mine-run cases to warrant a fee award." *Id.* at 1757. Accordingly, under the Patent Act, the case may be sufficiently "exceptional" to "warrant a fee award" when the losing claim or defense was clearly meritless based on "the governing law and ... facts of the case." *Id.* at 1756-57 That is nearly the precise standard that courts in the Second Circuit use to determine whether a copyright claim is objectively unreasonable, i.e., "clearly without merit or otherwise patently devoid of legal or factual basis." *Silberstein v. Fox Entm't Grp., Inc.*, 536 F Supp. 2d 440, 444 (S.D.N.Y. 2008).

By affording substantial weight to the objective-reasonableness consideration, the Second Circuit's rule makes it so that fees are awarded in a copyright case under the Copyright Act under the same circumstances that fees would be available in a patent case under the Patent Act—which is to say, when the case is "exceptional." That cannot be correct. There is no requirement that a case be exceptional for fees to be awarded under the Copyright Act. *Compare* 35 U.S.C. § 285 (Patent Act) (permitting fees only in "exceptional cases") *with* 17 U.S.C. § 505 (Copyright Act) (providing simply that a district court "may" award fees to the prevailing party). As this Court explained in *Fogerty*, the Patent Act contains a "proviso that fees are only to be awarded in 'exceptional cases'" that is absent in the Copyright Act. 510 U.S. at 525 n.12; *accord Historical Research v. Cabral*, 80 F.3d 377, 378 (9th Cir. 1996) (quotation mark omitted) (observing that there is no requirement for the case to be "exceptional" under the Copyright Act).

By equalizing the Patent Act and the Copyright Act, the Second Circuit's rule makes it so the Patent Act's "exceptional case" requirement either has no effect *or* fee awards under the Copyright Act turn *sub silencio* on the exceptional unreasonableness of the losing party. Neither can be true. Congress's decision not to limit attorneys' fee awards in copyright cases to only exceptional cases must be given meaning. *Russello v. United States*, 464 U.S. 16, 23 (1983); *see also Moskal v. United States*, 498 U.S. 103, 109-10 (1990) (courts should "give effect, if possible, to every clause and word of a statute" (internal quotation marks omitted)).

III. This Case Is The Ideal Vehicle For Resolving An Issue Of National Importance

A. The proper interpretation of a federal statute, particularly one that has explicit origins in the Constitution, is always an issue of significant, national importance. That is just as true today as it was 20 years ago when this Court granted cert to consider the meaning of § 505 in *Fogerty*. It is also just as true today as it was in *Octane Fitness*, just two terms ago.

If anything, the importance of proper fee determinations has only increased as litigation costs have continued to rise. This Court recognized more than two decades ago in *Fogerty* that it is important that parties "be encouraged to litigate" their "meritorious copyright defenses" and "meritorious claims of infringement." 510 U.S. at 527. That is because "an award of attorneys' fees may be necessary to enable the party possessing the meritorious claim or defense to press it to a successful conclusion rather than surrender it because the cost of vindication exceeds the private benefit to the party." *Assessment Techs.*, 361 F.3d at 437.

Though the copyright laws, and thus the public good, benefit from meritorious litigation that clarifies the boundaries of the Copyright Act, *Fogerty*, 510 U.S. at 527, for parties who stand to gain very little monetarily for prevailing—i.e., plaintiffs seeking small awards and defendants who "receive[] ... no [compensatory] award [for prevailing]"—the economic realities of the cost of litigating such a case may "force[]" that party "into a nuisance settlement or [be] deterred altogether from exercising [their]

rights." *Assessment Techs., Inc.*, 361 F.3d at 437 This is especially true for "[a] defendant who [when he or she] prevails in copyright litigation vindicates the public's interest in the use of intellectual property, but without an award of fees the prevailing defendant has only losses to show for the litigation." *FM Indus., Inc. v. Citicorp Credit Servs., Inc.*, 614 F.3d 335, 339-40 (7th Cir. 2010). In those circumstances, "an award of attorneys' fees may be necessary to enable the party possessing the meritorious claim or defense to press it to a successful conclusion." *Assessment Techs.*, 361 F.3d at 437

Ensuring that the incentives to continue to pursue meritorious claims and defenses are calibrated properly is particularly important in David vs. Goliath cases like this one. When Wiley brought this suit, Kirtsaeng was a graduate student on a Thai government scholarship that required him to return to Thailand as a professor. Pet. App. 34a. By contrast, Wiley (NYSE: JWA) is a global publishing company with 4900 employees and annual revenue of more than $1.82 billion. John Wiley & Sons, Inc., Annual Report (Form 10-K), at 4, 13 (Apr. 30, 2015), *available at http://tinyurl.com/o8ecd7r*. Nevertheless, Wiley brought its substantial resources to bear in filing not just this lawsuit but a host of lawsuits against impecunious individual defendants and then engaging in scorched-earth litigation tactics to force those individual defendants to give in and settle.[5]

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[5] *See, e.g.*, Compl., *John Wiley & Sons, Inc., v. John Doe Nos. 1-44*, No. 12-CV-1568, 2012 WL 870299 (S.D.N.Y. 2012); Am. Compl., *John Wiley & Sons, Inc., v. Ng*, No. 11-Civ-7627, 2012 WL 1611326 (S.D.N.Y. 2012); Compl., *John Wiley & Sons,*

Because parties with lesser means are more likely to settle or abandon defenses in order to avoid ever-accumulating fees and costs, *Assessment Techs.*, 361 F.3d at 437, the financial disparity between the parties is important. An impecunious defendant is far more likely to be forced to settle or abandon his rights because he cannot afford the heavy cost of litigation. If those economic "pressure[s]" force the defendant to "throw in the towel" and give up meritorious defenses, *id.*, copyright law and the public suffer from the missed opportunity to clarify copyright law and expand public access to original, scholarly works. *See Fogerty*, 510 U.S. at 527.

B. It is particularly important for this Court to take this issue to prevent putative plaintiffs from engaging in blatant forum shopping. As discussed above (at 25), the Second Circuit's approach to fee awards under § 505 is decidedly pro-plaintiff since prevailing plaintiffs obtain their fees in the Second Circuit while prevailing defendants rarely—if ever—do. Accordingly, plaintiffs, such as Wiley, who could sue in any number of venues, are likely to shop for a forum, such as the Second Circuit, where it is unlikely that they would be compelled to pay attorneys' fees if they lose. By contrast, such a plaintiff would

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Inc., v. John Doe Nos. 1-21, No. 12-CV-4730, 2012 WL 2566389 (S.D.N.Y. 2012); Compl., *John Wiley & Sons, Inc., v. John Doe Nos. 1-35*, No. 12-CV-2968, 2012 WL 1389735 (S.D.N.Y. 2012); Compl., *John Wiley & Sons, Inc., v. John Doe Nos. 1-30*, No. 12-CV-3782, 2012 WL 1834871 (S.D.N.Y. 2012); Am. Compl., *John Wiley & Sons, Inc., v. Williams*, No. 12-Civ-0079, 2012 WL 3019463 (S.D.N.Y. 2012); Am. Compl., *John Wiley & Sons, Inc., v. Swancoat*, No. 08-CV-05672, 2009 WL 956206 (S.D.N.Y. 2009); Am. Compl., *John Wiley & Sons, Inc., v. Shumacher*, No. 09-CV-02108, 2009 WL 3219590 (S.D.N.Y. 2009).

likely avoid the Fifth or Seventh Circuits, where they presumptively would have to pay the prevailing defendant's fees. By granting certiorari and resolving the split in the courts of appeals, this Court can prevent further forum shopping in copyright cases.

C. This case is an ideal vehicle to examine the standard for awarding fees under the Copyright Act. Not only is this Court already familiar with the case, but the issues are crisply presented. As the district court already found as fact, it is undisputed that this litigation, including Kirtsaeng's pursuit of his meritorious defense under the "first sale" doctrine, "clarified the boundaries of copyright law," and therefore advanced the purposes of the Copyright Act. Pet. App. 18a, *accord* Wiley C.A. Ans. Br. 35; C.A. 554 (Wiley district court brief). That much is obvious from this Court's decision, which explained in detail how Kirtsaeng's reading of the "first sale" doctrine ensured greater public access to copyrightable goods manufactured abroad. Pet. App. 52a-59a. Kirtsaeng also overcame tremendous odds against a much larger and richer opponent to obtain an absolute victory.

At the same time, it is undisputed that Wiley's copyright claim was not frivolous or objectively unreasonable. The combination of undisputed issues here frees this Court to consider what the proper standard should be for an award of attorneys' fees under the Copyright Act without getting bogged down in the very different scenario where the losing party's claim was frivolous or objectively unreasonable.

The split amongst the court of appeals is also cleanly presented. Contrary to the analysis that would have been performed in other courts of appeals, the lower courts here placed "substantial weight" on the objective reasonableness prong and refused to award fees because other factors did not "'outweigh'" what the Second Circuit considers to be the weightiest of all factors. Pet. App. 4a (quoting Pet. App. 13a). Because Kirtsaeng's fee petition would have been decided differently had objective reasonableness not been the factor that must be "'outweigh[ed]'" to obtain fees, the fractured approaches in the courts of appeals are well-presented here.

Finally, it is irrelevant that the Second Circuit chose to make its decision here unpublished. The panel applied the Second Circuit's settled (and published) law in the form of *Matthew Bender*. Pet. App. 4a-5a (citing, quoting, and relying on *Matthew Bender*, 240 F.3d at 122). Accordingly, this case provides an appropriate vehicle to consider the disparate approaches of the courts of appeals to fee awards under the Copyright Act. And, in any event, this Court routinely takes cases where the decision of the court of appeals was unpublished—including eight times just last term alone. *See, e.g.*, *Johnson v. United States*, 135 S. Ct. 2551 (2015); *Mata v. Lynch*, 135 S. Ct. 2150 (2015); *Bank of Am. v. Caulkett*, 135 S. Ct. 1995 (2015); *Henderson v. United States*, 135 S. Ct. 1780 (2015); *United States v. June*, 135 S. Ct. 1625 (2015); *Armstrong v. Exceptional Child Center, Inc.*, 135 S. Ct. 1378 (2015); *Gelboim v. Bank of Am. Corp.*, 135 S. Ct. 897 (2015); *Jennings v. Stephens*, 135 S. Ct. 793 (2015).

In short, this case presents an ideal vehicle to overturn the Second Circuit's approach to fee awards under the Copyright Act, which is flatly inconsistent with this Court's precedents, and to resolve a four-way circuit split that has hopelessly divided the courts of appeals.

CONCLUSION

For the foregoing reasons, this Court should grant the petition for a writ of certiorari.

Respectfully submitted,

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Date: September 23, 2015

APPENDIX A

14-344
John Wiley & Sons, Inc. v. Kirtsaeng

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

SUMMARY ORDER

Rulings by summary order do not have precedential effect. Citation to a summary order filed on or after January 1, 2007, is permitted and is governed by Federal Rule of Appellate Procedure 32.1 and this court's Local Rule 32.1.1. When citing a summary order in a document filed with this court, a party must cite either the Federal Appendix or an electronic database (with the notation "summary order"). A party citing a summary order must serve a copy of it on any party not represented by counsel.

At a stated Term of the United States Court of Appeals for the Second Circuit, held at the Thurgood Marshall United States Courthouse, at 40 Foley Square, in the City of New York, on the 27th day of May, two thousand fifteen.

Present: ROBERT A. KATZMANN,
Chief Judge,
JOHN M. WALKER, JR.,
DENNY CHIN,
Circuit Judges.

JOHN WILEY & SONS, INC.,

Plaintiff-Appellee,

- v - No. 14-344-cv

SUPAP KIRTSAENG, DBA BLUECHRISTINE99,

Defendant-Appellant,

JOHN DOE, 1-5,

Defendants.

For Plaintiff-Appellee: PAUL M. SMITH, Jenner & Block LLP, Washington, D.C.

Matthew J. Oppenheim, Oppenheim & Zebrak, LLP, Washington, D.C.

For Defendant-Appellant: ANDREW D. SILVERMAN (E. Joshua Rosenkranz, Annette L. Hurst, Lisa T. Simpson, *on the brief*), Orrick, Herrington & Sutcliffe LLP, New York, New York

Appeal from the United States District Court for the Southern District of New York (Pogue, *J.*[1]).

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[1] Chief Judge Donald C. Pogue of the United States Court of International Trade, sitting by designation.

ON CONSIDERATION WHEREOF, IT IS HEREBY ORDERED, ADJUDGED, and **DECREED** that the order of the district court is hereby **AFFIRMED**. The defendant-appellant appeals from the district court's December 20, 2013, order denying his motion for attorneys' fees under § 505 of the Copyright Act. We assume the parties' familiarity with the relevant facts, the procedural history of the case, and the issues presented for review.

The Copyright Act of 1976, 17 U.S.C. § 505, provides that a district court may "in its discretion" award attorneys' fees to a prevailing party in a copyright action. The district court is not bound by any "precise rule or formula" when evaluating whether an award of fees is warranted. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994) (internal quotation marks omitted). Instead, "equitable discretion should be exercised in light of the [relevant] considerations," which include "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." *Id.* at 534 & n.19 (internal quotation marks omitted). "The standard of review of an award of attorney's fees is highly deferential to the district court." *Alderman v. Pan Am World Airways*, 169 F.3d 99, 102 (2d Cir. 1999) (internal quotation marks omitted). "Attorney's fees must be reasonable in terms of the circumstances of the particular case, and the district court's determination will be reversed on appeal only for an abuse of discretion." *Id.*

Here, in its thorough opinion, the district court properly placed "substantial weight" on the reasonableness of John Wiley & Sons' position in this case. *Matthew Bender & Co. v. W. Pub'g Co.*, 240 F.3d 116, 122 (2d Cir. 2001). John Wiley & Sons prevailed both in the district court and in its initial appeal, only to ultimately lose in a split decision by the United States Supreme Court. Accordingly, the district court correctly found—and the appellant does not seriously contest—that John Wiley & Sons pursued an objectively reasonable litigation position. And as we explained, "the imposition of a fee award against a copyright holder with an objectively reasonable litigation position will generally not promote the purposes of the Copyright Act." *Id.* Although the appellant seeks to limit *Matthew Bender* as applying only to those cases where the prevailing defendant did not advance the purposes of the Copyright Act, *Matthew Bender* specifically explained that its "emphasis on objective reasonableness [was] firmly rooted in [the Supreme Court's] admonition that any factor a court considers in deciding whether to award attorneys' fees must be 'faithful to the purposes of the Copyright Act.'" *Id.* (quoting *Fogerty*, 510 U.S. at 534 n.19).

Moreover, there is no merit to the appellant's contention that the district court "fixated" on John Wiley & Sons' objective reasonableness at the expense of other relevant factors. Appellant's Br. at 36. To the contrary, the district court expressly recognized that *Matthew Bender* "reserved a space for district courts to decide that other factors may ... outweigh the objective unreasonableness factor." *John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08-CV-7834

(DCP), 2013 WL 6722887, at *3 (S.D.N.Y. Dec. 20, 2013) (citing *Matthew Bender*, 240 F.3d at 122). And while we may not agree in every instance with the district court's evaluation of these other factors,[2] we see no abuse of discretion in the district court's overall conclusion that, in the circumstances of this case, these factors did not outweigh the "substantial weight" afforded to John Wiley & Sons' objective reasonableness.

We have considered the appellant's remaining arguments, and find them to be without merit. Accordingly. for the foregoing reasons, the judgment of the district court is **AFFIRMED**.

FOR THE COURT:
CATHERINE O'HAGAN
WOLFE, CLERK

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[2] In particular, we respectfully question the conclusion that considerations of compensation did not favor a fee award because the appellant was represented pro bono at the Supreme Court. Preventing litigants who are represented by pro bono counsel from receiving fees may decrease the future availability of pro bono counsel to impecunious litigants, who may, in the absence of pro bono representation, abandon otherwise meritorious claims and defenses. This runs counter to *Fogerty*'s instruction that courts should exercise their discretion under § 505 so as to encourage the litigation of meritorious claims and defenses, because "it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible." *Fogerty*, 510 U.S. at 527. However, as explained herein, while we may respectfully part ways with this particular portion of the district court's thoughtful analysis, we perceive no abuse of discretion in the overall conclusion that fees are not warranted in this case.

APPENDIX B

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JOHN WILEY & SONS, INC.,

Plaintiff,

v. Court No. 08-cv-07834 (DCP) [1]

SUPAP KIRTSAENG,

Defendant.

OPINION AND ORDER

[denying defendant's motion for an award of attorneys' fees and reimbursement of litigation expenses]

Dated: December 20, 2013

Matthew J. Oppenheim, Scott A. Zebrak and Kerry M. Mustico, Oppenheim + Zebrak, LLP, of Washington, DC, for the Plaintiff.

Sam Israel and Eleonora Zlotnikova, of New York, NY, for the Defendant. Of counsel on the brief was E. Joshua Rosenkranz, Orrick, Herrington & Sutcliffe LLP, of New York, NY.

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[1] Chief Judge Donald C. Pogue of the United States Court of International Trade, sitting by designation.

Pogue, Judge: Plaintiff, John Wiley & Sons, Inc. ("Wiley"), a domestic publisher of academic textbooks, brought this copyright action to enforce its exclusive rights to import and distribute certain copyrighted work, printed and sold abroad by its wholly owned foreign subsidiary. Defendant, Supap Kirtsaeng ("Kirtsaeng"), an importer and reseller of Wiley's foreign edition textbooks, successfully defended the action by establishing that his U.S. sales of books "lawfully made under" the Copyright Act and legitimately acquired abroad were permitted by the Copyright Act's "first sale" provision. *See* 17 U.S.C. § 109(a) (2006). As the prevailing party, Defendant now seeks, by motion, an award of attorneys' fees and reimbursement of litigation expenses,[2] pur-

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[2] *See* Notice of Mot. for an Award of Attorneys' Fees & Reimbursement of Litig. Expenses, ECF No. 93; Decl. of Sam P. Israel in Supp. of Def. Supap Kirtsaeng's Mot. for an Award of Attorneys' Fees & Reimbursement of Litig. Expenses, ECF No. 94 ("Israel Decl."); Decl. of E. Joshua Rosenkranz in Supp. of Def. Supap Kirtsaeng's Mot. for an Award of Attorneys' Fees & Reimbursement of Litig. Expenses, ECF No. 95; Mem. of L. in Supp. of Def. Supap Kirtsaeng's Mot. for an Award of Attorneys' Fees & Reimbursement of Litig. Expenses, ECF No. 96 ("Def.'s Br."); Pl.'s Opp'n to Def.'s Mot. for an Award of Attorneys' Fees & Reimbursement of Litig. Expenses, ECF No. 107 ("Pl.'s Resp."); Decl. of Maria Danzilo in Supp. of Pl.'s Opp'n to Def.'s Mot. for Attorney Fees, ECF No. 108; Decl. of Kerry M. Mustico in Supp. of Pl.'s Opp'n to Def.'s Mor. for an Award of Attorneys' Fees & Reimbursement of Litig. Expenses, ECF No. 109 ("Mustico Decl."); Decl. of Susan Tiedemann Seutter in Supp. of Pl.'s Opp'n to Def.'s Mot. for an Award of Attorneys' Fees & Reimbursement of Litig. Expenses, ECF No. 110; Reply Mem. of L. in Supp. of Def. Supap Kirtsaeng's Mot. for an Award of Attorneys' Fees & Reimbursement of Litig. Expenses, ECF No. 115 ("Def.'s Reply").

suant to 17 U.S.C. § 505 ("Section 505").[3] Because Plaintiff's claim was not unreasonable or frivolous, and because no other equitable consideration weighs in favor of Defendant's request, as explained below, Defendant's motion is denied.

BACKGROUND

This matter returns to court on remand from the Supreme Court of the United States and the Court of Appeals for the Second Circuit.[4] In earlier proceedings, this Court held that Kirtsaeng could not invoke the "first sale" defense because this defense was not applicable to the resale of foreign-manufactured goods.[5] In the absence of the first sale

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[3] ("In any civil action under this title [i.e., the Copyright Act], the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.").

[4] *See Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1371 (2013) ("*Wiley III*") (reversing *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 224 (2d Cir. 2011) ("*Wiley II*") (affirming *John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08 Civ. 7834 (DCP), 2009 WL 3364037 (S.D.N.Y. Oct. 19, 2009) ("*Wiley I*")) and remanding for the further proceedings); *John Wiley & Sons, Inc. v. Kirtsaeng*, 713 F.3d 1142, 1142-43 (2d Cir. 2013) ("*Wiley IV*") (per curiam) (holding that, in light of the Supreme Court's holding in *Wiley III*, the Court of Appeals had "nothing left to decide," and remanding "for such further proceedings as may be appropriate prior to entry of final judgment"). Familiarity with the facts and procedural history of this case is presumed.

[5] *See Wiley I*, 2009 WL 3364037 at *3-10.

defense, at trial, a jury found Kirtsaeng liable for copyright infringement. On appeal, a divided panel of the Court of Appeals affirmed,[6] but a majority of the Supreme Court reversed, holding that the first sale defense is not geographically limited, and is applicable "where, as here, copies are manufactured abroad with the permission of the copyright owner."[7] Because Kirtsaeng's liability "was premised on the inapplicability of the first sale doctrine to copyrighted works manufactured abroad, even when (as here) the copyrighted works were manufactured and initially sold in accordance with the copyright laws of the United States," the judgment against the Defendant was reversed pursuant to the Supreme Court's holding that the first sale defense *does* apply to the works at issue.[8]

In this circumstance, Section 505 permits the court to "award a reasonable attorney's fee to the prevailing party." But Section 505 is not mandatory. "[A]ttorney's fees are to be awarded to prevailing parties only as a matter of the court's discretion." *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994). Moreover, "[t]here is no precise rule or formula for making these determinations, but instead equitable discretion should be exercised." *Id.* (internal quotation marks, citation, and footnote omitted). "The touchstone of attorney's fees under § 505 is whether imposition of attorney's fees will further the interests of the Copy-

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[6] *See Wiley II*, 654 F.3d at 216-23.

[7] *Wiley III*, 133 S. Ct. at 1358.

[8] *Wiley IV*, 713 F.3d at 1143 (footnote omitted).

right Act, i.e., by encouraging the raising of objectively reasonable claims and defenses, which may serve not only to deter infringement but also to ensure 'that the boundaries of copyright law [are] demarcated as clearly as possible' in order to maximize the public exposure to valuable works." *Mitek Holdings, Inc. v. Arce Eng'g Co.*, 198 F.3d 840, 842-43 (11th Cir. 1999) (quoting *Fogerty*, 510 U.S. at 526-27).

In *Fogerty*, the Supreme Court agreed with the Court of Appeals for the Third Circuit that factors such as "'[1] frivolousness, [2] motivation, [3] objective unreasonableness (both in the factual and in the legal components of the case) and [4] the need in particular circumstances to advance considerations of compensation and deterrence'...may be used to guide courts' discretion [in determining whether to award attorney's fees under Section 505], so long as such factors are faithful to the purposes of the Copyright Act and are applied to prevailing plaintiffs and defendants in an evenhanded manner." *Fogerty*, 510 U.S. at 534 n.19 (quoting *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151, 156 (3d Cir. 1986)).

Subsequent to *Fogerty*, the Court of Appeals for this Circuit has emphasized in particular the importance of the objective unreasonableness factor in guiding the court's discretion as to whether to award attorney's fees under Section 505. *Matthew Bender & Co. v. West Publ'g Co.*, 240 F.3d 116, 121-22 (2d Cir. 2001).[9] As the Court of Appeals explained,

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[9] (noting also that, subsequent to *Fogerty*, several other circuits, as well as the district courts in the Second Circuit, "have accorded the objective reasonableness factor substantial weight

"[t]his emphasis on objective reasonableness is firmly rooted in *Fogerty*'s admonition that any factor a court considers in deciding whether to award attorneys' fees must be 'faithful to the purposes of the Copyright Act.'" *Id.* at 122 (quoting *Fogerty*, 510 U.S. at 534 n.19). Because the "principle purpose of the [Copyright Act] is to encourage the origination of creative works by attaching enforceable property rights to them[,]...the imposition of a fee award against a copyright holder with an objectively reasonable litigation position will generally *not* promote the purposes of the Copyright Act." *Id.* (emphasis

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in determinations whether to award attorneys' fees") (citing *Lotus Dev. Corp. v. Borland Int'l, Inc.*, 140 F.3d 70, 74 (1st Cir. 1998) (affirming denial of fees because copyright holder's "claims were neither frivolous nor objectively unreasonable"); *Harris Custom Builders Inc. v. Hoffmeyer*, 140 F.3d 728, 730-31 (7th Cir. 1998) (vacating award of fees because, *inter alia*, losing party's claims were objectively reasonable); *Budget Cinema, Inc. v. Watertower Assocs.*, 81 F.3d 729, 733 (7th Cir. 1996) (holding that "the district court abused its discretion by failing to award attorney's fees based on the objective unreasonableness of [plaintiff's] complaint"); *Maljack Prods., Inc. v. GoodTimes Home Video Corp.*, 81 F.3d 881, 890 (9th Cir. 1996) (awarding fees because, *inter alia*, plaintiff's claims were "factually unreasonable"); *Diamond Star Bldg. Corp. v. Freed*, 30 F.3d 503, 506 (4th Cir. 1994) (affirming award of fees because, *inter alia*, "the objective reasonableness factor strongly weigh[ed] in favor of awarding attorney's fees and costs"); *EMI Catalogue P'ship v. CBS/Fox Co.*, No. 86 Civ. 1149 (PKL), 1996 WL 280813, at *2 (S.D.N.Y. May 24, 1996) (holding that copyright owner's claim was "not so objectively unreasonable as to justify an award of attorney's fees"); *Williams v. Crichton*, 891 F. Supp. 120, 122 (S.D.N.Y. 1994) (awarding fees solely because losing party's claims were objectively unreasonable); *Screenlife Establishment v. Tower Video, Inc.*, 868 F. Supp. 47, 52 (S.D.N.Y. 1994) (same)).

added, internal quotation marks and citations omitted). Moreover, "a court should not award attorneys' fees where the case is novel or close because such a litigation clarifies the boundaries of copyright law" and neither prospective plaintiffs nor prospective defendants should be discouraged from litigating in such circumstances, regardless of which party ultimately prevails. *Canal+ Image UK Ltd. v. Lutvak*, 792 F Supp. 2d 675, 683 (S.D.N.Y. 2011) (internal quotation marks and citation omitted).

ANALYSIS

Here, neither the factual allegations nor the legal theory on which Wiley's claim was based were objectively unreasonable. Wiley's claim—which persuaded this Court, the Court of Appeals, and three Justices of the Supreme Court[10]—represented the legitimate attempt of a copyright holder to enforce its rights against the unauthorized importation of low-priced, foreign-made copies of its copyrighted works.[11] Nor does Kirtsaeng provide any argument to suggest that Wiley's claim in this case should be deemed to have been objectively unreasonable. *See* Def.'s Br. at 20-25 (addressing the objective unreasonableness factor by downplaying its importance,

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[10] *See Wiley I*, 2009 WL 3364037 at *3-10, *aff'd*, *Wiley II*, 654 F.3d at 216-23; *Wiley III*, 133 S. Ct. at 1373-91 (J. Ginsburg, J. Kennedy, and J. Scalia dissenting).

[11] *See Wiley III*, 133 S. Ct. at 1374 (J. Ginsburg, J. Kennedy, and J. Scalia dissenting) ("The question in this case is whether the unauthorized importation of foreign-made copies constitutes copyright infringement under U.S. law.").

without advancing an argument to support the conclusion that Wiley's claim was in fact objectively unreasonable); Def.'s Reply at 9-11 (same).[12]

And while it is true (as Kirtsaeng emphasizes, *see* Def.'s Br. at 20) that the Court of Appeals' *Matthew Bender* decision reserved a space for district courts to decide that other factors may, in some circumstances, outweigh the objective unreasonableness factor and lead the court to conclude that equity supports a fee award notwithstanding the objective reasonableness of the non-prevailing party, *see Matthew Bender*, 240 F.3d at 122 ("In an appropriate case, the

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[12] Kirtsaeng suggests that, contrary to this Circuit's "emphasis on objective unreasonableness" when applying Section 505, *Matthew Bender*, 240 F.3d at 122, this factor is not only unimportant but should be eschewed from consideration altogether. Def.'s Reply at 9-11. But this argument appears to be grounded in a confusion of the concept of objective unreasonableness with that of a plaintiff's culpability for bad faith or frivolousness. *See id.* (addressing the objective unreasonableness factor by discussing the role of plaintiffs' culpability for bad faith or frivolousness). The objective unreasonableness of a losing copyright claim or defense is conceptually distinct from a party's bad faith or frivolity, *see, e.g.*, *Vargas v. Transeau*, No. 04 Civ. 9772 (WHP), 2008 WL 3164586, at *2 (S.D.N.Y. Aug. 6, 2008) ("The Court need not make a finding of frivolousness or bad faith to award a fee; rather, a consistent lack of evidentiary support for the claim typically will render it objectively unreasonable.") (internal quotation marks and citations omitted), and is a factor to which the Court of Appeals for this Circuit has consistently accorded "substantial weight" in making determinations under Section 505. *See supra* note 9. In any event, the objective unreasonableness of a claim or defense, bad faith, and frivolity are all considerations that were expressly approved by the Supreme Court as relevant to determinations under Section 505. *Fogerty*, 510 U.S. at 534 n.19.

presence of other factors might justify an award of fees despite a finding that the nonprevailing party's position was objectively reasonable.") (quoting *Matthews v. Freedman*, 157 F.3d 25, 29 (1st Cir. 1998) ("Depending on other circumstances, a district court could conclude that the losing party should pay even if all of the arguments it made were reasonable.")), this is not such a case.

The remaining *Fogarty* factors, other than the reasonableness of the non-prevailing party's claim, are (1) frivolousness, (2) motivation, and (3) the need to advance considerations of compensation and deterrence. *Fogerty*, 510 U.S. at 534 n.19. Here it is clear, first, that Wiley's action was not frivolous. A complaint is frivolous "where it lacks an arguable basis either in law or in fact." *Neitzke v. Williams*, 490 U.S. 319, 325 (1989). For the same reasons that Wiley's claim cannot be said to have been objectively unreasonable, it was clearly not frivolous. *See, e.g.*, *Wiley III*, 133 S. Ct. at 1357 (acknowledging that the Second Circuit, the Ninth Circuit, and the Solicitor General (as *amicus*) all agreed with Wiley's reading of the relevant ambiguous statutory language). Thus the frivolousness factor does not weigh against the fact that Wiley's litigating position was objectively reasonable.

Second, Wiley's motivation was not inappropriate. *See, e.g.*, *Luken v. Int'l Yacht Council, Ltd.*, 581 F. Supp. 2d 1226, 1245 (S.D. Fla. 2008) ("It goes without saying that protection of one's copyright constitutes a permissible motivation in filing a copyright infringement case against one whom the copyright holder believes in good faith to have infringed the

copyright."); *see also Eldred v. Ashcroft*, 537 U.S. 186, 212 n.18 (2003) ("[C]opyright law *celebrates* the profit motive, recognizing that the incentive to profit from the exploitation of copyrights will redound to the public benefit by resulting in the proliferation of knowledge.") (emphasis in the original, internal quotation marks and citation omitted). Moreover, as Wiley explains, *see* Pl.'s Resp. at 24-28, its motivation for certain arguably aggressive conduct in this litigation was also not unreasonable—Wiley's motions to attach Kirtsaeng's personal property and to have Kirtsaeng adjudged in contempt of a prior attachment order, for example, could reasonably have been motivated by a desire to protect the value of a judgment against Kirtsaeng, based on Wiley's belief that Kirtsaeng was withdrawing funds from his bank accounts and transferring title to his property to avoid satisfying a judgment against him. *Id.*[13] *Cf. Silverstein v. Penguin Putnam, Inc.*, No. 01 Civ. 309 (JFK), 2008 WL 678559, at *4 (S.D.N.Y. Mar. 12, 2008) (holding that even "regrettable conduct" such as "counsel's repeated and unfounded accusations of impropriety on the part of [the prevailing party] and

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[13] Wiley is also correct that, even if these discrete litigation tactics were to be deemed to have been in bad faith, a fee award on that basis would require Kirtsaeng to establish a link between the discrete bad faith acts and the costs incurred therefrom. *Cf. Matthew Bender & Co., Inc. v. West Publ'g Co.*, 41 F. App'x 507, 508-09 (2d Cir. 2002) (explaining that to support a claim for attorneys' fees under Section 505 based on the non-prevailing party's bad faith conduct, the moving party must either show that the conduct of the entire litigation was in bad faith or else "establish a link between specific bad faith conduct and the fees incurred that might justify a more limited award") (internal quotation marks and citation omitted).

its lawyers [that] were...reckless and uncalled for" did not outweigh the important factor that the non-prevailing party's claim was objectively reasonable).

Third, considerations of compensation and deterrence also do not weigh in favor of a fee award in this case. With regard to compensation, the evidence shows that Kirtsaeng has not in fact paid, and is not obligated to pay, most of the legal fees sought. *See* Ex. 6 (Orrick Retention Agreement) to Mustico Decl., ECF No. 109-6, at 2 ("In accordance with our *pro bono* representation, we have agreed to provide our legal services to you without charge (subject to the condition noted above [i.e., that if the Supreme Court grants certiorari in this case, Orrick will argue the case]). We have agreed to pay all out-of-pocket expenses related to this representation."); Ex. 12 (Israel Invoices to Kirtsaeng) to Israel Decl., ECF No. 94-12, at Invoice # 13736 (showing that, as of July 31, 2013, Kirtsaeng owed a balance of $26,285.14).[14] Moreover, as Wiley points out, Pl.'s Resp. at 29, Kirtsaeng's need for compensation for his legal defense in this case is tempered by his victory—he may now continue his arbitrage business free of the fear of incurring copyright liability. Thus equitable consideration of the need to compensate the prevailing defendant is not so strong as to

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[14] Although Kirtsaeng does not provide a total figure for the fee award he seeks, *see* Def.'s Br. at 26-40 (arguing that the fees charged by Kirtsaeng's legal team in this case were customary and reasonable and discussing hourly rates without providing the total figure sought); Def.'s Reply at 21-22 (same), the amounts reflected in Defendant's supporting documentation indicate a figure in excess of $2,000,000. *See* supra note 2; Pl.'s Resp. at 7.

outweigh the fact that Wiley's claim was not objectively unreasonable.

Finally, with regard to deterrence, Wiley did not engage in any conduct that equity suggests should be deterred in the future by the threat of a large fee award. As already discussed, Wiley brought this action based on its belief that, given then-existing legal interpretations of the Copyright Act, Kirtsaeng was infringing on Wiley's rights. Such actions should not be deterred. *See, e.g., Lotus Dev. Corp.*, 140 F.3d at 72-75 (quoted with approval in *Matthew Bender*, 240 F.3d at 121) (affirming the denial of attorneys' fees where the parties "had litigated a novel and unsettled question of copyright law in order to protect their own economic interests" because "when the parties are litigating a matter of some importance to the copyright laws, there is no need for deterrence") (internal quotation marks and citations omitted). *See also id.* at 75 (noting that parties to a copyright action "should not be deterred from litigation by the possibility that their refusal to settle...will be held against them after they prevail") (internal quotation marks and citation omitted).

Emphasizing the Supreme Court's characterization of the *Fogerty* factors discussed above as discretionary and non-exclusive, *see Fogerty*, 510 U.S. at 534 n.19, Kirtsaeng also argues that three additional considerations weigh in favor of a fee award in this case: 1) that Kirtsaeng's successful defense against Wiley's claim clarified the contours of the Copyright Act and its first sale doctrine, Def.'s Br. at 10-12; Def.'s Reply at 2-6; 2) the degree of Kirtsaeng's success in this litigation, Def.'s Br. at 13; Def.'s Reply at 14-15; and 3)

the imbalance of wealth and power between the parties, Def.'s Br. at 18-20; Def.'s Reply at 17-18. But none of these additional factors outweighs the substantial weight accorded to the objective reasonableness of Wiley's ultimately unsuccessful claim.

First, while it is true that this litigation clarified the boundaries of copyright law, this result is due as much to Wiley's risk in bringing the claim as to Kirtsaeng's successful defense against it. As this Court has recently explained,

> 'Because copyright law ultimately serves the purpose[] of enriching the general public through access to creative works, it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible.' 'But because *novel cases require a plaintiff to sue in the first place*, the need to encourage meritorious defenses is a factor that a district court may balance against the *potentially chilling effect of imposing a large fee award on a plaintiff*, who, in a particular case, may have advanced a reasonable, albeit unsuccessful, claim.' Hence '*a court should not award attorneys' fees where the case is novel or close because such a litigation clarifies the boundaries of copyright law.*'

Canal+ Image UK, 792 F. Supp. 2d at 683.[15] Thus "the potentially chilling effect of imposing a large fee award on a plaintiff, who, in a particular case, may have advanced a reasonable, albeit unsuccessful, claim," *id.*, also weighs against a fee award in this case.

And while Kirtsaeng suggests that, but for the prospect of a fee award, he may have "thrown in the towel" and aborted the litigation before the Supreme Court had the chance to clarify the boundaries of copyright law,[16] the facts of this case suggest otherwise. Here, Kirtsaeng's continued defense against Wiley's claim was not threatened by high litigation costs be-

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[15] (emphasis added) (quoting *Fogerty*, 510 U.S. at 527; *Lotus Dev. Corp.*, 140 F.3d at 75; and *Earth Flag Ltd. v. Alamo Flag Co.*, 154 F. Supp. 2d 663, 666 (S.D.N.Y. 2001), respectively) (denying motion for attorneys' fees under Section 505 and noting that the defendants' conduct "risked the very lawsuit that...[the losing plaintiff] actually filed," that the plaintiff "took a risk that it would end up with nothing to show for its costs in prosecuting its claim," and that "[t]hese kinds of risks are inherent in any litigation involving contested rights").

[16] *See* Def.'s Reply at 6 ("If Kirtsaeng settled rather than 'press[ed]' his 'meritorious...defense' because of heavy litigation costs, the public would have lost the benefit of the Supreme Court's decision.") (quoting *Assessment Techs. of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 437 (7th Cir. 2004) ("[W]ithout the prospect of [a fee] award, the party might be forced into a nuisance settlement or deterred altogether from exercising his rights."); *Harrison Music Corp. v. Tesfaye*, 293 F. Supp. 2d 80, 84 (D.D.C. 2003) ("[A fee award] addresses [the Copyright Act's] goals because it enables people to vindicate or defend their rights where it would otherwise be uneconomical to do so.")).

cause the novelty and potential importance of his case attracted offers of *pro bono* representation without any contingency or provision for a prospective fee award.[17] Moreover, the incentive that a successful defense resting on the first sale doctrine would permit Kirtsaeng to continue his arbitrage business free of the threat of future copyright liability distinguishes this case from one where continued litigation may have been uneconomical in the absence of the promise of a fee award.

Next, Kirtsaeng argues that the fact that he prevailed on the merits, rather than a technical defense (such as statute of limitations or laches), favors a fee award in this case. *See* Def.'s Reply at 14-15. But "the degree of success obtained" is a consideration that is relevant to the reasonableness of the magnitude of a particular fee award, rather than the threshold question of whether a fee award would further the purposes of the Copyright Act.[18] While this

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[17] As Wiley suggests, "the fact that top-flight law firms are competing with each other to volunteer free representation to gain Supreme Court experience and recognition is important." Pl.'s Resp. at 34; *see also id.* at 36 ("[A]n opportunity to brief and argue a Supreme Court appeal is rare and uniquely lucrative for law firms trying to build or maintain Supreme Court practices or develop large clients...[Here, the firm that offered Kirtsaeng free representation at the Supreme Court] has already received the benefit of its bargain. It had the all-too rare opportunity of arguing before the Supreme Court, and all the trappings that go with it—prestige, press, and, most importantly, the ability to market its experience to paying clients.").

[18] *Cf., e.g., Marek v. Chesny*, 473 U.S. 1, 11 (1985) (explaining that "'the most critical factor' *in determining a reasonable fee* 'is the degree of success obtained'") (emphasis added) (quoting *Hensley v.*

may be an important consideration when setting the amount of a fee award, the nature of a prevailing party's success does not directly address the interests of copyright law—it may be, for example, that even a small success on a technical issue against an objectively unreasonable claim or defense would warrant compensation and deterrence of similarly unreasonable future litigating positions or, conversely (and as is the case here), that a high degree of success in a novel or close case with reasonable litigating positions on both sides would *not* warrant a fee award because neither party should be discouraged from litigating in such circumstances. Kirtsaeng has not provided any

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Eckerhart, 461 U.S. 424, 436 (1983)); *see Hensley*, 461 U.S. at 435-36 ("Where a plaintiff has obtained excellent results, his attorney should recover a fully compensatory fee. ... If, on the other hand, a plaintiff has achieved only partial or limited success, the product of hours reasonably expended on the litigation as a whole times a reasonable hourly rate may be an excessive amount. ... [T]he most critical factor is the degree of success obtained."); *Miroglio S.P.A. v. Conway Stores, Inc.*, 629 F. Supp. 2d 307, 316 (S.D.N.Y. 2009) (considering "degree of success obtained" only when determining the amount of a reasonable fee award, after deciding that a fee award is warranted); *see id.* at 311 (concluding that a fee award was warranted because "[t]his was not a case in which the facts were 'close' or the issues 'novel' so as to make an award of attorney's fees inappropriate"; the award would provide compensation to the prevailing party for being "forced to pursue this lengthy litigation in the face of an obviously losing position on the part of defendants"; and because "the defendants' unreasonable position [was] directly responsible for [the prevailing plaintiff's] having had to expend the very costs and fees it now seeks"); *Vargas*, 2008 WL 3164586 at *4 (considering "degree of success obtained" only when determining the amount of a reasonable fee award, after deciding that a fee award is warranted); *see id.* at *3 (concluding that a fee award was warranted because the losing plaintiffs' claims were objectively unreasonable).

authority[19] to suggest that his ultimate success on the merits should override the substantial weight given to the objective reasonableness of Wiley's claim or the consideration that "a court should not award attorneys' fees where the case is novel or close" because neither party should be discouraged from litigating its reasonable legal position. *Earth Flag*, 154 F. Supp. 2d at 666.

Finally, Defendant suggests that the imbalance of wealth and power between the parties should

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[19] Kirtsaeng cites to *Fantasy, Inc. v. Fogerty*, 94 F.3d 553, 556 (9th Cir. 1996) (affirming district court's grant of fee award to the prevailing defendant after remand from *Fogerty*, 510 U.S. 517), where the Court of Appeals for the Ninth Circuit referred to the combined results of a bifurcated proceeding in which the district court below first determined entitlement to a fee award and only then considered the appropriate amount of such an award. Def.'s Reply at 14-15. Because this reference describes a district court's consideration of the proper amount of a fee award after having decided that such award is warranted, Defendant's citation to *Fantasy*, 94 F.3d at 556, is not inconsistent with the court's conclusion above that the degree of success obtained is a consideration more relevant to the reasonableness of the magnitude of a particular fee award than it is to whether such award would further the goals of the Copyright Act. The only other authority cited by the Defendant to support employing the degree of success factor at this stage, *see* Def.'s Reply at 15; Def.'s Br. at 13 (discussing degree of success obtained without citing to any authority), is *Video-Cinema Films, Inc. v. Cable News Network, Inc.*, No. 98 Civ. 7128 (BSJ), 2003 WL 1701904 (Mar. 31, 2003), where the court concluded that a fee award to the prevailing defendant was appropriate because "Plaintiff was improperly motivated to bring this copyright action and...Plaintiff's position was objectively unreasonable," *id.* at *5, without mentioning the degree of success obtained by the prevailing party.

override the substantial weight accorded to the objective reasonableness of Wiley's claim. *See* Def.'s Br. at 18-20; Def.'s Reply at 17-18. But like the degree of success obtained, financial disparity between the parties is a consideration more relevant to "determining the magnitude of an award once it has been resolved that such an award is appropriate." *Penguin Books U.S.A., Inc. v. New Christian Church of Full Endeavor, Ltd.*, No. 96 Civ. 4126 (RWS), 2004 WL 728878, at *5 (Apr. 6, 2004) (holding that the parties' relative financial strength is not a determinative factor in deciding whether to award attorneys' fees under Section 505).[20] As with the degree of success obtained, financial disparity does not speak to whether a fee award (whether large or small) would further the goals of the Copyright Act, for it may be that even a small award against an impecunious party with an unreasonable litigating position may further the Copyright

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[20] *See also id.* at *6 (noting two S.D.N.Y. decisions that "treated a financial disparity between the parties as a factor to be weighed in determining whether an award should issue rather than simply the magnitude of such an award," but opining that "[t]o the extent these opinions were premised on mistaken or opaque prior constructions of the holding in *Williams*, this Court declines to tread that same path"); *see id.* at *5 (explaining that most S.D.N.Y. cases addressing the parties' financial disparity in the context of Section 505 fee awards can be "traced back to their collective point of origin in *Williams v. Crichton*, [No. 93 Civ. 6829 (LMM), 1995 WL 449068, at *1 (S.D.N.Y. July 26, 1995) (taking into consideration the relative financial strength of the parties in "determining the amount of an award under [Section 505]" after deciding that a fee award is warranted)]" and arguing that these cases therefore "stand only for the notion that financial disparities may be a factor considered in determining the magnitude of an award once it has been resolved that such an award is appropriate").

Act's goals by incentivizing reasonableness in copyright litigation or, conversely, that a fee award would not advance the Copyright Act's goals in a case involving a large financial disparity between the parties because, as here, it is important to encourage reasonable claims (regardless of a plaintiff's wealth or poverty) as well as meritorious defenses involving close or novel issues of copyright law. Accordingly, Kirtsaeng's argument that the financial disparity between the parties in this case weighs in favor of a fee award is also unpersuasive.

CONCLUSION

Because Wiley's claim was not objectively unreasonable, and because no other factor weighs against this important consideration in the circumstances of this case, grant of Kirtsaeng's fee request is not appropriate. Defendant's motion for an award of attorneys' fees and reimbursement of litigation expenses is therefore denied.[21]

It is SO ORDERED.

/s/ Donald C. Pogue
Donald C. Pogue, Judge[22]

Dated: December 20, 2013 New York, New York

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[21] All outstanding discovery disputes between the parties regarding the evidence potentially relevant to calculating a reasonable fee in this case are accordingly moot.

[22] Chief Judge Donald C. Pogue of the United States Court of International Trade, sitting by designation.

APPENDIX C

09-4896-cv
John Wiley & Sons, Inc. v. Supap Kirtsaeng

UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

August Term, 2009

(Argued: May 19, 2010 Decided: April 23, 2013)

Docket No. 09-4896-cv

JOHN WILEY & SONS, INC.,
Plaintiff-Appellee,

v

SUPAP KIRTSAENG,
doing business as BLUECHRISTINE99,
Defendant-Appellant.

Before: CABRANES and KATZMANN, *Circuit Judges*, and MURTHA, *District Judge*.*

This case returns to us on remand from the Supreme Court of the United States, which reversed our prior decision by holding that the "first sale" doctrine, *see* 17 U.S.C. § 109(a), provides a defense against a copyright infringement claim based on unauthorized resale "where, as here, copies are manufactured abroad with the permission of the copyright

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* The Honorable J. Garvan Murtha, of the United States District Court for the District of Vermont, sitting by designation.

owner." *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1358 (2013). Based on this holding, we have nothing left to decide in this case. Kirtsaeng's liability was erroneously premised on the inapplicability of the first sale doctrine to copyrighted works manufactured abroad. The judgment of the United States District Court for the Southern District of New York (Donald C. Pogue, Judge of the United States Court of International Trade, sitting by designation) is reversed and the cause is remanded for such further proceedings as may be appropriate prior to entry of final judgment.

William Dunnegan (Laura Scileppi, *on the brief*), Dunnegan LLC, New York, NY, *for plaintiff-appellee.*

Sam P Israel, New York, NY, *for defendant-appellant.*

John T. Mitchell, Interaction Law. Washington, DC, *for amici curiae Entertainment Merchants Association and National Association of Recording Merchandisers.*

Norman H. Levin (Aaron J. Moss, *on the brief*), Greenberg Glusker Fields Claman & Machtinger LLP, Los Angeles, CA, *for amicus curiae Costco Wholesale Corporation.*

Charles A. Weiss, Kenyon & Kenyon LLP (Mark A. Abate, Goodwin Proctor LLP, *on the brief*), New York, NY, *for amicus curiae New York Intellectual Property Law Association.*

PER CURIAM:

This case returns to us on remand from the Supreme Court of the United States, which reversed our prior decision by holding that the "first sale" doctrine, *see* 17 U.S.C. § 109(a), provides a defense against a copyright infringement claim based on unauthorized resale "where, as here, copies are manufactured abroad with the permission of the copyright owner." *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1358 (2013). We assume the parties' familiarity with the facts and procedural history of this case.

Based on the Supreme Court's holding, we have nothing left to decide. A jury found defendant-appellant Supap Kirtsaeng liable of copyright infringement based on his importation and resale of copyrighted works manufactured abroad.[1] Kirtsaeng's liability was premised on the inapplicability of the first sale doctrine to copyrighted works manufactured abroad, even when (as here)

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[1] Plaintiff-appellee originally asserted trademark infringement and unfair competition claims, which were voluntarily dismissed with prejudice prior to trial. *See* Joint Pre-Trial Order, *John Wiley & Sons, Inc. v. Kirtsaeng*, 08 Civ. 7834 (DCP) (S.D.N.Y. Oct. 28, 2009), ECF No. 64, at 14 ("Pre-Trial Order").

the copyrighted works were manufactured and initially sold in accordance with the copyright laws of the United States.[2] The United States District Court for the Southern District of New York (Donald C. Pogue, Judge of the United States Court of International Trade, sitting by designation) denied Kirtsaeng's motion to instruct the jury regarding the applicability of the first sale defense.

In light of the Supreme Court's holding that the first sale doctrine *does* apply to such works, thus providing Kirtsaeng with a valid defense to copyright infringement, the District Court's judgment is **REVERSED**, and the cause is **REMANDED** for such further proceedings as may be appropriate prior to entry of final judgment.

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[2] The parties' joint stipulation of facts prior to trial states, in relevant part, that the textbooks at issue "are only Wiley textbooks originally acquired from the foreign copyright owner" and "were manufactured in accordance with [United States copyright law]....There is no claim here that these were counterfeit books." Pre-Trial Order at 11.

APPENDIX D

NOTICE: This opinion is subject to formal revision before publication in the preliminary print of the United States Reports. Readers are requested to notify the Reporter of Decisions, Supreme Court of the United States, Washington, D. C. 20543, of any typographical or other formal errors, in order that corrections may be made before the preliminary print goes to press.

SUPREME COURT OF THE UNITED STATES

No. 11-697

SUPAP KIRTSAENG, DBA BLUECHRISTINE99, PETITIONER *v.* JOHN WILEY & SONS, INC.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

[March 19, 2013]

JUSTICE BREYER delivered the opinion of the Court.

Section 106 of the Copyright Act grants "the owner of copyright under this title" certain "exclusive rights," including the right "to distribute copies...of the copyrighted work to the public by sale or other transfer of ownership." 17 U. S. C. §106(3). These rights are qualified, however, by the application of various limitations set forth in the next several sections of the Act, §§107 through 122. Those sections,

typically entitled "Limitations on exclusive rights," include, for example, the principle of "fair use" (§107), permission for limited library archival reproduction, (§108), and the doctrine at issue here, the "first sale" doctrine (§109).

Section 109(a) sets forth the "first sale" doctrine as follows:

> "Notwithstanding the provisions of section 106(3) [the section that grants the owner exclusive distribution rights], the owner of a particular copy or phonorecord *lawfully made under this title*...is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." (Emphasis added.)

Thus, even though §106(3) forbids distribution of a copy of, say, the copyrighted novel Herzog without the copyright owner's permission, §109(a) adds that, once a copy of Herzog has been lawfully sold (or its ownership otherwise lawfully transferred), the buyer of *that copy* and subsequent owners are free to dispose of it as they wish. In copyright jargon, the "first sale" has "exhausted" the copyright owner's §106(3) exclusive distribution right.

What, however, if the copy of Herzog was printed abroad and then initially sold with the copyright owner's permission? Does the "first sale" doctrine still apply? Is the buyer, like the buyer of a domestically manufactured copy, free to bring the copy into the United States and dispose of it as he or she wishes?

To put the matter technically, an "importation" provision, §602(a)(1), says that

> "[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies...of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies...*under section 106*..." 17 U. S. C. §602(a)(1)(2006 ed., Supp. V)(emphasis added).

Thus §602(a)(1) makes clear that importing a copy without permission violates the owner's exclusive distribution right. But in doing so, §602(a)(1) refers explicitly to the *§106(3)* exclusive distribution right. As we have just said, §106 is by its terms "[s]ubject to" the various doctrines and principles contained in §§107 through 122, including §109(a)'s "first sale" limitation. Do those same modifications apply—in particular, does the "first sale" modification apply—when considering whether §602(a)(1) prohibits importing a copy?

In *Quality King Distributors, Inc. v. L'anza Research Int'l, Inc.*, 523 U. S. 135, 145 (1998), we held that §602(a)(1)'s reference to §106(3)'s exclusive distribution right incorporates the later subsections' limitations, including, in particular, the "first sale" doctrine of §109. Thus, it might seem that, §602(a)(1) notwithstanding, one who buys a copy abroad can freely import that copy into the United States and dispose of it, just as he could had he bought the copy in the United States.

But *Quality King* considered an instance in which the copy, though purchased abroad, was initially manufactured in the United States (and then sent abroad and sold). This case is like *Quality King* but for one important fact. The copies at issue here were manufactured abroad. That fact is important because §109(a) says that the "first sale" doctrine applies to "a particular copy or phonorecord *lawfully made under this title*." And we must decide here whether the five words, "lawfully made under this title," make a critical legal difference.

Putting section numbers to the side, we ask whether the "first sale" doctrine applies to protect a buyer or other lawful owner of a copy (of a copyrighted work) lawfully manufactured abroad. Can that buyer bring that copy into the United States (and sell it or give it away) without obtaining permission to do so from the copyright owner? Can, for example, someone who purchases, say at a used bookstore, a book printed abroad subsequently resell it without the copyright owner's permission?

In our view, the answers to these questions are, yes. We hold that the "first sale" doctrine applies to copies of a copyrighted work lawfully made abroad.

I

A

Respondent, John Wiley & Sons, Inc., publishes academic textbooks. Wiley obtains from its authors various foreign and domestic copyright assignments, licenses and permissions—to the point that we can,

for present purposes, refer to Wiley as the relevant American copyright owner. *See* 654 F. 3d 210, 213, n. 6 (CA2 2011). Wiley often assigns to its wholly owned foreign subsidiary, John Wiley & Sons (Asia) Pte Ltd., rights to publish, print, and sell Wiley's English language textbooks abroad. App. to Pet. for Cert. 47a-48a. Each copy of a Wiley Asia foreign edition will likely contain language making clear that the copy is to be sold only in a particular country or geographical region outside the United States. 654 F. 3d, at 213.

For example, a copy of Wiley's American edition says, "Copyright © 2008 John Wiley & Sons, Inc. All rights reserved. ...Printed in the United States of America." J. Walker, Fundamentals of Physics, p. vi (8th ed. 2008). A copy of Wiley Asia's Asian edition of that book says:

> "Copyright © 2008 John Wiley & Sons (Asia) Pte Ltd[.] All rights reserved. This book is authorized for sale in Europe, Asia, Africa, and the Middle East only and may be not exported out of these territories. Exportation from or importation of this book to another region without the Publisher's authorization is illegal and is a violation of the Publisher's rights. The Publisher may take legal action to enforce its rights. ...Printed in Asia." J. Walker, Fundamentals of Physics, p. vi (8th ed. 2008 Wiley Int'l Student ed.).

Both the foreign and the American copies say:

> "No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any

form or by any means...except as permitted under Sections 107 or 108 of the 1976 United States Copyright Act." Compare, *e.g.*, *ibid.* (Int'l ed.), with Walker, *supra*, at vi (American ed.).

The upshot is that there are two essentially equivalent versions of a Wiley textbook, 654 F. 3d, at 213, each version manufactured and sold with Wiley's permission: (1) an American version printed and sold in the United States, and (2) a foreign version manufactured and sold abroad. And Wiley makes certain that copies of the second version state that they are not to be taken (without permission) into the United States. *Ibid.*

Petitioner, Supap Kirtsaeng, a citizen of Thailand, moved to the United States in 1997 to study mathematics at Cornell University. *Ibid.* He paid for his education with the help of a Thai Government scholarship which required him to teach in Thailand for 10 years on his return. Brief for Petitioner 7. Kirtsaeng successfully completed his undergraduate courses at Cornell, successfully completed a Ph.D. program in mathematics at the University of Southern California, and then, as promised, returned to Thailand to teach. *Ibid.* While he was studying in the United States, Kirtsaeng asked his friends and family in Thailand to buy copies of foreign edition English-language textbooks at Thai book shops, where they sold at low prices, and mail them to him in the United States. *Id.*, at 7-8. Kirtsaeng would then sell them, reimburse his family and friends, and keep the profit. App. to Pet. for Cert. 48a-49a.

In 2008 Wiley brought this federal lawsuit against Kirtsaeng for copyright infringement. 654 F. 3d, at 213. Wiley claimed that Kirtsaeng's unauthorized importation of its books and his later resale of those books amounted to an infringement of Wiley's §106(3) exclusive right to distribute as well as §602's related import prohibition. 17 U. S. C. §§106(3) (2006 ed.), 602(a) (2006 ed., Supp. V). *See also* §501 (2006 ed.) (authorizing infringement action). App. 204-211. Kirtsaeng replied that the books he had acquired were "'lawfully made'" and that he had acquired them legitimately. Record in No. 1:08-CV 7834-DCP (SDNY), Doc. 14, p. 3. Thus, in his view, §109(a)'s "first sale" doctrine permitted him to resell or otherwise dispose of the books without the copyright owner's further permission. *Id.*, at 2-3.

The District Court held that Kirtsaeng could not assert the "first sale" defense because, in its view, that doctrine does not apply to "foreign-manufactured goods" (even if made abroad with the copyright owner's permission). App. to Pet. for Cert. 72a. The jury then found that Kirtsaeng had willfully infringed Wiley's American copyrights by selling and importing without authorization copies of eight of Wiley's copyrighted titles. And it assessed statutory damages of $600,000 ($75,000 per work). 654 F 3d, at 215.

On appeal, a split panel of the Second Circuit agreed with the District Court. *Id.*, at 222. It pointed out that §109(a)'s "first sale" doctrine applies only to "the owner of a particular copy...*lawfully made under this title.*" *Id.*, at 218-219 (emphasis added).

And, in the majority's view, this language means that the "first sale" doctrine does not apply to copies of American copyrighted works manufactured abroad. *Id.*, at 221. A dissenting judge thought that the words "lawfully made under this title" do not refer "to a place of manufacture" but rather "focu[s] on whether a particular copy was manufactured lawfully under" America's copyright statute, and that "the lawfulness of the manufacture of a particular copy should be judged by U. S. copyright law." *Id.*, at 226 (opinion of Murtha, J.).

We granted Kirtsaeng's petition for certiorari to consider this question in light of different views among the Circuits. Compare *id.*, at 221 (case below) ("first sale" doctrine does not apply to copies manufactured outside the United States), with *Omega S. A. v. Costco Wholesale Corp.*, 541 F. 3d 982, 986 (CA9 2008) ("first sale" doctrine applies to copies manufactured outside the United States only if an authorized first sale occurs within the United States), aff'd by an equally divided court, 562 U. S. ___ (2010), and *Sebastian Int'l, Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F. 2d 1093, 1098, n. 1 (CA3 1988) (limitation of the first sale doctrine to copies made within the United States "does not fit comfortably within the scheme of the Copyright Act").

II

We must decide whether the words "lawfully made under this title" restrict the scope of §109(a)'s "first sale" doctrine geographically. The Second Circuit, the Ninth Circuit, Wiley, and the Solicitor General (as *amicus*) all read those words as imposing a form

of *geographical* limitation. The Second Circuit held that they limit the "first sale" doctrine to particular copies "made in territories *in which the Copyright Act is law*," which (the Circuit says) are copies "manufactured domestically," not "outside of the United States." 654 F. 3d, at 221-222 (emphasis added). Wiley agrees that those five words limit the "first sale" doctrine "to copies made in conformance with the [United States] Copyright Act *where the Copyright Act is applicable*," which (Wiley says) means it does not apply to copies made "outside the United States" and at least not to "foreign production of a copy for distribution exclusively abroad." Brief for Respondent 15-16. Similarly, the Solicitor General says that those five words limit the "first sale" doctrine's applicability to copies "'*made subject to* and in compliance with [the Copyright Act],'" which (the Solicitor General says) are copies "made in the United States." Brief for United States as *Amicus Curiae* 5 (hereinafter Brief for United States) (emphasis added). And the Ninth Circuit has held that those words limit the "first sale" doctrine's applicability (1) to copies lawfully made in the United States, and (2) to copies lawfully made outside the United States but initially sold in the United States with the copyright owner's permission. *Denbicare U. S. A. Inc. v. Toys "R" Us, Inc.*, 84 F. 3d 1143, 1149-1150 (1996).

Under any of these geographical interpretations, §109(a)'s "first sale" doctrine would not apply to the Wiley Asia books at issue here. And, despite an American copyright owner's permission to *make* copies abroad, one who *buys* a copy of any such book or

other copyrighted work—whether at a retail store, over the Internet, or at a library sale—could not resell (or otherwise dispose of) that particular copy without further permission.

Kirtsaeng, however, reads the words "lawfully made under this title" as imposing a *non*-geographical limitation. He says that they mean made "in accordance with" or "in compliance with" the Copyright Act. Brief for Petitioner 26. In that case, §109(a)'s "first sale" doctrine would apply to copyrighted works as long as their manufacture met the requirements of American copyright law. In particular, the doctrine would apply where, as here, copies are manufactured abroad with the permission of the copyright owner. *See* §106 (referring to the owner's right to authorize).

In our view, §109(a)'s language, its context, and the common-law history of the "first sale" doctrine, taken together, favor a *non*-geographical interpretation. We also doubt that Congress would have intended to create the practical copyright-related harms with which a geographical interpretation would threaten ordinary scholarly, artistic, commercial, and consumer activities. *See* Part II-D, *infra*. We consequently conclude that Kirtsaeng's nongeographical reading is the better reading of the Act.

A

The language of §109(a) read literally favors Kirtsaeng's nongeographical interpretation, namely. that "lawfully made under this title" means made "in accordance with" or "in compliance with" the Copy-

right Act. The language of §109(a) says nothing about geography. The word "under" can mean "[i]n accordance with." 18 Oxford English Dictionary 950 (2d ed. 1989). *See also* Black's Law Dictionary 1525 (6th ed. 1990) ("according to"). And a nongeographical interpretation provides each word of the five-word phrase with a distinct purpose. The first two words of the phrase, "lawfully made," suggest an effort to distinguish those copies that were made lawfully from those that were not, and the last three words, "under this title," set forth the standard of "lawful[ness]." Thus, the nongeographical reading is simple, it promotes a traditional copyright objective (combatting piracy), and it makes word-by-word linguistic sense.

The geographical interpretation, however, bristles with linguistic difficulties. It gives the word "lawfully" little, if any, linguistic work to do. ("How could a book be *un*lawfully "made under this title"?) It imports geography into a statutory provision that says nothing explicitly about it. And it is far more complex than may at first appear.

To read the clause geographically, Wiley, like the Second Circuit and the Solicitor General, must first emphasize the word "under." Indeed, Wiley reads "under this title" to mean "in conformance with the Copyright Act *where the Copyright Act is applicable.*" Brief for Respondent 15. Wiley must then take a second step, arguing that the Act "is applicable" only in the United States. *Ibid.* And the Solicitor General must do the same. *See* Brief for United States 6 ("A copy is '*lawfully* made under this title' if Title 17

governs the copy's creation *and* the copy is made in compliance with Title 17's requirements"). *See also post*, at 7 (GINSBURG, J., dissenting) ("under" describes something "governed or regulated by another").

One difficulty is that neither "under" nor any other word in the phrase means "where." *See, e.g.*, 18 Oxford English Dictionary, *supra*, at 947-952 (definition of "under"). It might mean "subject to," *see post*, at 6, but as this Court has repeatedly acknowledged, the word evades a uniform, consistent meaning. *See Kucana v. Holder*, 558 U. S. 233, 245 (2010) ("'under' is chameleon"); *Ardestani v. INS*, 502 U. S. 129, 135 (1991) ("under" has "many dictionary definitions" and "must draw its meaning from its context").

A far more serious difficulty arises out of the uncertainty and complexity surrounding the second step's effort to read the necessary geographical limitation into the word "applicable" (or the equivalent). Where, precisely, is the Copyright Act "applicable"? The Act does not instantly *protect* an American copyright holder from unauthorized piracy taking place abroad. But that fact does not mean the Act is *inapplicable* to copies made abroad. As a matter of ordinary English, one can say that a statute imposing, say, a tariff upon "any rhododendron grown in Nepal" applies to *all* Nepalese rhododendrons. And, similarly, one can say that the American Copyright Act is *applicable* to *all* pirated copies, including those printed overseas. Indeed, the Act itself makes clear that (in the Solicitor General's language) foreign-printed pirated copies are "subject to" the Act.

§602(a)(2) (2006 ed., Supp. V) (referring to importation of copies "the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable"); Brief for United States 5. *See also post*, at 6 (suggesting that "made under" may be read as "subject to").

The appropriateness of this linguistic usage is underscored by the fact that §104 of the Act itself says that works "*subject to protection under this title*" include unpublished works "without regard to the nationality or domicile of the author," and works "first published" in any one of the nearly 180 nations that have signed a copyright treaty with the United States. §§104(a), (b) (2006 ed.) (emphasis added); §101 (2006 ed., Supp. V) (defining "treaty party"); U. S. Copyright Office, Circular No. 38A, International Copyright Relations of the United States (2010). Thus, ordinary English permits us to say that the Act "applies" to an Irish manuscript lying in its author's Dublin desk drawer as well as to an original recording of a ballet performance first made in Japan and now on display in a Kyoto art gallery. *Cf.* 4 M. Nimmer & D. Nimmer, Copyright §17.02, pp. 17-18, 17-19 (2012) (hereinafter Nimmer on Copyright) (noting that the principle that "copyright laws do not have any extraterritorial operation" "requires some qualification").

The Ninth Circuit's geographical interpretation produces still greater linguistic difficulty. As we said, that Circuit interprets the "first sale" doctrine to cover both (1) copies manufactured in the United

States and (2) copies manufactured abroad but first sold in the United States with the American copyright owner's permission. *Denbicare U. S. A.*, 84 F. 3d, at 1149-1150. *See also* Brief for Respondent 16 (suggesting that the clause *at least* excludes "the foreign production of a copy for distribution exclusively abroad"); *id.*, at 51 (the Court need "not decide whether the copyright owner would be able to restrict further distribution" in the case of "a downstream domestic purchaser of *authorized* imports"); Brief for Petitioner in *Costco Wholesale Corp. v. Omega, S. A., O. T.* 2010, No. 08-1423, p. 12 (excepting imported copies "made by unrelated foreign copyright holders" (emphasis deleted)).

We can understand why the Ninth Circuit may have thought it necessary to add the second part of its definition. As we shall later describe, *see* Part II-D, *infra*, without some such qualification a copyright holder could prevent a buyer from domestically reselling or even giving away copies of a video game made in Japan, a film made in Germany, or a dress fabric (with a design copyright) made in China, *even* if the copyright holder has granted permission for the foreign manufacture, importation, and an initial domestic sale of the copy. A publisher such as Wiley would be free to print its books abroad, allow their importation and sale within the United States, but prohibit students from later selling their used texts at a campus bookstore. We see no way, however, to reconcile this half-geographical/half-nongeographical interpretation with the language of the phrase, "lawfully made under this title." As a matter of English,

it would seem that those five words either do cover copies lawfully made abroad or they do not.

In sum, we believe that geographical interpretations create more linguistic problems than they resolve. And considerations of simplicity and coherence tip the purely linguistic balance in Kirtsaeng's, nongeographical, favor.

B

Both historical and contemporary statutory context indicate that Congress, when writing the present version of §109(a), did not have geography in mind. In respect to history, we compare §109(a)'s present language with the language of its immediate predecessor. That predecessor said:

> "[N]othing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work *the possession of which has been lawfully obtained*." Copyright Act of 1909, §41, 35 Stat. 1084 (emphasis added).

See also Copyright Act of 1947, §27, 61 Stat. 660. The predecessor says nothing about geography (and Wiley does not argue that it does). So we ask whether Congress, in changing its language implicitly *introduced* a geographical limitation that previously was lacking. *See also* Part II-C, *infra* (discussing 1909 codification of common-law principle).

A comparison of language indicates that it did not. The predecessor says that the "first sale" doctrine protects "the transfer of any copy *the possession of*

which has been lawfully obtained." The present version says that "*the owner* of a particular copy or phonorecord lawfully made under this title is entitled to sell or otherwise dispose of the possession of that copy or phonorecord." What does this change in language accomplish?

The language of the former version referred to those *who are not owners* of a copy, but mere possessors who "lawfully obtained" a copy. The present version covers only those who are *owners* of a "lawfully made" copy. Whom does the change leave out? Who might have lawfully *obtained* a copy of a copyrighted work but not *owned* that copy? One answer is owners of movie theaters, who during the 1970's (and before) often *leased* films from movie distributors or filmmakers. *See* S. Donahue, American Film Distribution 134, 177 (1987) (describing producer-distributer and distributer-exhibitor agreements); Note, The Relationship Between Motion Picture Distribution and Exhibition: An Analysis of the Effects of Anti-Blind Bidding Legislation, 9 Comm/Ent. L. J. 131, 135 (1986). Because the theater owners had "lawfully obtained" their copies, the earlier version could be read as allowing them to sell that copy, *i.e.*, it might have given them "first sale" protection. Because the theater owners were lessees, not owners, of their copies, the change in language makes clear that they (like bailees and other lessees) cannot take advantage of the "first sale" doctrine. (Those who find legislative history useful will find confirmation in, *e.g.*, House Committee on the Judiciary, Copyright Law Revision, Supplementary Report of the Register of Copyrights on the General Revision of

the U. S. Copyright Law: 1965 Revision Bill, 89th Cong., 1st Sess., pt. 6, p. 30 (Comm. Print 1965) (hereinafter Copyright Law Revision) ("[W]here a person has rented a print of a motion picture from the copyright owner, he would have no right to lend, rent, sell, or otherwise dispose of the print without first obtaining the copyright owner's permission"). *See also Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F. 2d 847, 851 (CA2 1963) (Friendly, J.) (pointing out predecessor statute's leasing problem)).

This objective perfectly well explains the new language of the present version, including the five words here at issue. Section 109(a) now makes clear that a lessee of a copy will *not* receive "first sale" protection but one who *owns* a copy *will* receive "first sale" protection, *provided*, of course, that the copy was "*lawfully made*" and not pirated. The new language also takes into account that a copy may be "lawfully made under this title" when the copy, say of a phonorecord, comes into its owner's possession through use of a compulsory license, which "this title" provides for elsewhere, namely, in §115. Again, for those who find legislative history useful, the relevant legislative report makes this clear. H. R. Rep. No. 94-1476, p. 79 (1976) ("For example, any resale of an illegally 'pirated' phonorecord would be an infringement, but the disposition of a phonorecord legally made under the compulsory licensing provisions of section 115 would not").

Other provisions of the present statute also support a nongeographical interpretation. For one thing, the statute phases out the "manufacturing

clause," a clause that appeared in earlier statutes and had limited importation of many copies (of copyrighted works) printed outside the United States. §601, 90 Stat. 2588 ("Prior to July 1, 1982...the importation into or public distribution in the United States of copies of a work consisting preponderantly of nondramatic literary material...is prohibited unless the portions consisting of such material have been manufactured in the United States or Canada"). The phasing out of this clause sought to equalize treatment of copies manufactured in America and copies manufactured abroad. *See* H. R. Rep. No. 94-1476, at 165-166.

The "equal treatment" principle, however, is difficult to square with a geographical interpretation of the "first sale" clause that would grant the holder of an American copyright (perhaps a foreign national, *see supra*, at 10) permanent control over the American distribution chain (sales, resales, gifts, and other distribution) in respect to copies printed abroad but not in respect to copies printed in America. And it is particularly difficult to believe that Congress would have sought this unequal treatment while saying nothing about it and while, in a related clause (the manufacturing phase-out), seeking the opposite kind of policy goal. *Cf. Golan v. Holder*, 565 U. S. ___, ___ (2012) (slip op., at 30) (Congress has moved from a copyright regime that, prior to 1891, entirely excluded foreign works from U. S. copyright protection to a regime that now "ensure[s] that most works, whether foreign or domestic, would be *governed by the same legal regime*" (emphasis added)).

Finally, we normally presume that the words "lawfully made under this title" carry the same meaning when they appear in different but related sections. *Department of Revenue of Ore. v. ACF Industries, Inc.*, 510 U. S. 332, 342 (1994). But doing so here produces surprising consequences. Consider:

(1) Section 109(c) says that, despite the copyright owner's exclusive right "to display" a copyrighted work (provided in §106(5)), the owner of a particular copy "lawfully made under this title" may publicly display it without further authorization. To interpret these words geographically would mean that one who buys a copyrighted work of art, a poster, or even a bumper sticker, in Canada, in Europe, in Asia, could not display it in America without the copyright owner's further authorization.

(2) Section 109(e) specifically provides that the owner of a particular copy of a copyrighted video arcade game "lawfully made under this title" may "publicly perform or display that game in coin-operated equipment" without the authorization of the copyright owner. To interpret these words geographically means that an arcade owner could not ("without the authority of the copyright owner") perform or display arcade games (whether new or used) originally made in Japan. *Cf. Red Baron-Franklin Park, Inc. v. Taito Corp.*, 883 F 2d 275 (CA4 1989).

(3) Section 110(1) says that a teacher, without the copyright owner's authorization, is allowed to perform or display a copyrighted work (say, an audio-

visual work) "in the course of face-to-face teaching activities"—unless the teacher knowingly used "a copy that was not lawfully made under this title." To interpret these words geographically would mean that the teacher could not (without further authorization) use a copy of a film during class if the copy was lawfully made in Canada, Mexico, Europe, Africa, or Asia.

(4) In its introductory sentence, §106 provides the Act's basic exclusive rights to an "owner of a copyright under this title." The last three words cannot support a geographic interpretation.

Wiley basically accepts the first three readings, but argues that Congress intended the restrictive consequences. And it argues that context simply requires that the words of the fourth example receive a different interpretation. Leaving the fourth example to the side, we shall explain in Part II-D, *infra*, why we find it unlikely that Congress would have intended these, and other related consequences.

C

A relevant canon of statutory interpretation favors a nongeographical reading. "[W]hen a statute covers an issue previously governed by the common law," we must presume that "Congress intended to retain the substance of the common law" *Samantar v. Yousuf*, 560 U. S. ___, ___, n. 13 (2010) (slip op., at 14, n. 13). *See also Isbrandtsen Co. v. Johnson*, 343 U. S. 779, 783 (1952) ("Statutes which invade the common law...are to be read with a presumption favoring the retention of long-established and familiar

principles, except when a statutory purpose to the contrary is evident").

The "first sale" doctrine is a common-law doctrine with an impeccable historic pedigree. In the early 17th century Lord Coke explained the common law's refusal to permit restraints on the alienation of chattels. Referring to Littleton, who wrote in the 15th century, Gray, Two Contributions to Coke Studies, 72 U. Chi. L. Rev. 1127, 1135 (2005), Lord Coke wrote:

> "[If] a man be possessed of...a horse, or of any other chattel...and give or sell his whole interest...therein upon condition that the Donee or Vendee shall not alien[ate] the same, the [condition] is voi[d], because his whole interest...is out of him, so as he hath no possibilit[y] of a Reverter, and it is against Trade and Traffi[c], and bargaining and contracting betwee[n] man and man: and it is within the reason of our Author that it should ouster him of all power given to him." 1 E. Coke, Institutes of the Laws of England §360, p. 223 (1628).

A law that permits a copyright holder to control the resale or other disposition of a chattel once sold is similarly "against Trade and Traffi[c], and bargaining and contracting." *Ibid.*

With these last few words, Coke emphasizes the importance of leaving buyers of goods free to compete with each other when reselling or otherwise disposing of those goods. American law too has generally thought that competition, including freedom to

resell, can work to the advantage of the consumer. *See, e.g., Leegin Creative Leather Products, Inc. v. PSKS, Inc.*, 551 U. S. 877, 886 (2007) (restraints with "manifestly anticompetitive effects" are *per se* illegal; others are subject to the rule of reason (internal quotation marks omitted)); 1 P Areeda & H. Hovenkamp, Antitrust Law ¶100, p. 4 (3d ed. 2006) ("[T]he principal objective of antitrust policy is to maximize consumer welfare by encouraging firms to behave competitively").

The "first sale" doctrine also frees courts from the administrative burden of trying to enforce restrictions upon difficult-to-trace, readily movable goods. And it avoids the selective enforcement inherent in any such effort. Thus, it is not surprising that for at least a century the "first sale" doctrine has played an important role in American copyright law. *See Bobbs-Merrill Co. v. Straus*, 210 U. S. 339 (1908); Copyright Act of 1909, §41, 35 Stat. 1084. *See also* Copyright Law Revision, Further Discussions and Comments on Preliminary Draft for Revised U. S. Copyright Law, 88th Cong., 2d Sess., pt. 4, p. 212 (Comm. Print 1964) (Irwin Karp of Authors' League of America expressing concern for "the very basic concept of copyright law that, once you've sold a copy legally, you can't restrict its resale").

The common-law doctrine makes no geographical distinctions; nor can we find any in *Bobbs-Merrill* (where this Court first applied the "first sale" doctrine) or in §109(a)'s predecessor provision, which Congress enacted a year later. *See supra*, at 12. Rather, as the Solicitor General acknowledges, "a

straightforward application of *Bobbs-Merrill*" would not preclude the "first sale" defense from applying to authorized copies made overseas. Brief for United States 27. And we can find no language, context, purpose, or history that would rebut a "straightforward application" of that doctrine here.

The dissent argues that another principle of statutory interpretation works against our reading, and points out that elsewhere in the statute Congress used different words to express something like the non-geographical reading we adopt. *Post*, at 8-9 (quoting §602(a)(2) (prohibiting the importation of copies "the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable" (emphasis deleted))). Hence, Congress, the dissent believes, must have meant §109(a)'s different language to mean something different (such as the dissent's own geographical interpretation of §109(a)). We are not aware, however, of any canon of interpretation that forbids interpreting different words used in different parts of the same statute to mean roughly the same thing. Regardless, were there such a canon, the dissent's interpretation of §109(a) would also violate it. That is because Congress elsewhere in the 1976 Act included the words "manufactured in the United States or Canada," 90 Stat. 2588, which express just about the same geographical thought that the dissent reads into §109(a)'s very different language.

D

Associations of libraries, used-book dealers, technology companies, consumer-goods retailers, and museums point to various ways in which a geographical interpretation would fail to further basic constitutional copyright objectives, in particular "promot[ing] the Progress of Science and useful Arts." U. S. Const., Art. I, §8, cl. 8.

The American Library Association tells us that library collections contain at least 200 million books published abroad (presumably, many were first published in one of the nearly 180 copyright-treaty nations and enjoy American copyright protection under 17 U. S. C. §104, *see supra*, at 10); that many others were first published in the United States but printed abroad because of lower costs; and that a geographical interpretation will likely require the libraries to obtain permission (or at least create significant uncertainty) before circulating or otherwise distributing these books. Brief for American Library Association et al. as *Amici Curiae* 4, 15-20. *Cf. id.*, at 16-20, 28 (discussing limitations of potential defenses, including the fair use and archival exceptions, §§107-108). *See also* Library and Book Trade Almanac 511 (D. Bogart ed., 55th ed. 2010) (during 2000-2009 "a significant amount of book printing moved to foreign nations").

How, the American Library Association asks, are the libraries to obtain permission to distribute these millions of books? How can they find, say, the copyright owner of a foreign book, perhaps written decades ago? They may not know the copyright holder's present address. Brief for American Library Associ-

ation 15 (many books lack indication of place of manufacture; "no practical way to learn where [a] book was printed"). And, even where addresses can be found, the costs of finding them, contacting owners, and negotiating may be high indeed. Are the libraries to stop circulating or distributing or displaying the millions of books in their collections that were printed abroad?

Used-book dealers tell us that, from the time when Benjamin Franklin and Thomas Jefferson built commercial and personal libraries of foreign books, American readers have bought used books published and printed abroad. Brief for Powell's Books Inc. et al. as *Amici Curiae* 7 (citing M. Stern, Antiquarian Bookselling in the United States (1985)). The dealers say that they have "operat[ed]...for centuries" under the assumption that the "first sale" doctrine applies. Brief for Powell's Books 7 But under a geographical interpretation a contemporary tourist who buys, say, at Shakespeare and Co. (in Paris), a dozen copies of a foreign book for American friends might find that she had violated the copyright law. The used-book dealers cannot easily predict what the foreign copyright holder may think about a reader's effort to sell a used copy of a novel. And they believe that a geographical interpretation will injure a large portion of the used-book business.

Technology companies tell us that "automobiles, microwaves, calculators, mobile phones, tablets, and personal computers" contain copyrightable software programs or packaging. Brief for Public Knowledge

et al. as *Amici Curiae* 10. *See also* Brief for Association of Service and Computer Dealers International, Inc., et al. as *Amici Curiae* 2. Many of these items are made abroad with the American copyright holder's permission and then sold and imported (with that permission) to the United States. Brief for Retail Litigation Center, Inc., et al. as *Amici Curiae* 4. A geographical interpretation would prevent the resale of, say, a car, without the permission of the holder of each copyright on each piece of copyrighted automobile software. Yet there is no reason to believe that foreign auto manufacturers regularly obtain this kind of permission from their software component suppliers, and Wiley did not indicate to the contrary when asked. *See* Tr. of Oral Arg. 29-30. Without that permission a foreign car owner could not sell his or her used car.

Retailers tell us that over $2.3 trillion worth of foreign goods were imported in 2011. Brief for Retail Litigation Center 8. American retailers buy many of these goods after a first sale abroad. *Id.*, at 12. And, many of these items bear, carry, or contain copyrighted "packaging, logos, labels, and product inserts and instructions for [the use of] everyday packaged goods from floor cleaners and health and beauty products to breakfast cereals." *Id.*, at 10-11. The retailers add that American sales of more traditional copyrighted works, "such as books, recorded music, motion pictures, and magazines" likely amount to over $220 billion. *Id.*, at 9. *See also id.*, at 10 (electronic game industry is $16 billion). A geographical interpretation would subject many, if not all, of them

to the disruptive impact of the threat of infringement suits. *Id.*, at 12.

Art museum directors ask us to consider their efforts to display foreign-produced works by, say, Cy Twombly, René Magritte, Henri Matisse, Pablo Picasso, and others. *See supra*, at 10 (describing how §104 often makes such works "subject to" American copyright protection). A geographical interpretation, they say, would require the museums to obtain permission from the copyright owners before they could display the work, *see supra*, at 15—even if the copyright owner has already sold or donated the work to a foreign museum. Brief for Association of Art Museum Directors et al. as *Amici Curiae* 10-11. What are the museums to do, they ask, if the artist retained the copyright, if the artist cannot be found, or if a group of heirs is arguing about who owns which copyright? *Id.*, at 14.

These examples, and others previously mentioned, help explain *why* Lord Coke considered the "first sale" doctrine necessary to protect "Trade and Traffi[c], and bargaining and contracting," and they help explain *why* American copyright law has long applied that doctrine. *Cf. supra*, at 17-18.

Neither Wiley nor any of its many *amici* deny that a geographical interpretation could bring about these "horribles"—at least in principle. Rather, Wiley essentially says that the list is artificially invented. Brief for Respondent 51-52. It points out that a federal court first adopted a geographical interpretation more than 30 years ago. *CBS, Inc. v. Scorpio Music Distributors, Inc.*, 569 F Supp. 47, 49

(ED Pa. 1983), summarily aff'd, 738 F. 2d 424 (CA3 1984) (table). Yet, it adds, these problems have not occurred. Why not? Because, says Wiley, the problems and threats are purely theoretical; they are unlikely to reflect reality. *See also post*, at 30-31.

We are less sanguine. For one thing, the law has not been settled for long in Wiley's favor. The Second Circuit, in its decision below, is the first Court of Appeals to adopt a purely geographical interpretation. The Third Circuit has favored a nongeographical interpretation. *Sebastian Int'l*, 847 F. 2d 1093. The Ninth Circuit has favored a modified geographical interpretation with a nongeographical (but textually unsustainable) corollary designed to diminish the problem. *Denbicare U. S. A.*, 84 F. 3d 1143. *See supra*, at 11-12. And other courts have hesitated to adopt, and have cast doubt upon, the validity of the geographical interpretation. *Pearson Educ., Inc. v. Liu*, 656 F. Supp. 2d 407 (SDNY 2009); *Red-Baron Franklin Park, Inc. v. Taito Corp.*, No. 88-0156-A, 1988 WL 167344, *3 (ED Va. 1988), rev'd on other grounds, 883 F. 2d 275 (CA4 1989).

For another thing, reliance upon the "first sale" doctrine is deeply embedded in the practices of those, such as booksellers, libraries, museums, and retailers, who have long relied upon its protection. Museums, for example, are not in the habit of asking their foreign counterparts to check with the heirs of copyright owners before sending, *e.g.*, a Picasso on tour. Brief for Association of Art Museum Directors 11-12. That inertia means a dramatic change is likely necessary before these institutions, instructed by their

counsel, would begin to engage in the complex permission-verifying process that a geographical interpretation would demand. And this Court's adoption of the geographical interpretation could provide that dramatic change. These intolerable consequences (along with the absurd result that the copyright owner can exercise downstream control even when it authorized the import or first sale) have understandably led the Ninth Circuit, the Solicitor General as *amicus*, and the dissent to adopt textual readings of the statute that attempt to mitigate these harms. Brief for United States 27-28; *post*, at 24-28. But those readings are not defensible, for they require too many unprecedented jumps over linguistic and other hurdles that in our view are insurmountable. *See, e.g., post*, at 26 (acknowledging that its reading of §106(3) "significantly curtails the independent effect of §109(a)").

Finally, the fact that harm has proved limited so far may simply reflect the reluctance of copyright holders so far to assert geographically based resale rights. They may decide differently if the law is clarified in their favor. Regardless, a copyright law that can work in practice only if unenforced is not a sound copyright law. It is a law that would create uncertainty, would bring about selective enforcement, and, if widely unenforced, would breed disrespect for copyright law itself.

Thus, we believe that the practical problems that petitioner and his *amici* have described are too serious, too extensive, and too likely to come about for us to dismiss them as insignificant—particularly in

light of the ever-growing importance of foreign trade to America. See The World Bank, Imports of goods and services (% of GDP) (imports in 2011 18% of U. S. gross domestic product compared to 11% in 1980), online at http://data.worldbank.org/indicator/NE.IMP.GNFS.ZS? (as visited Mar. 15, 2013, and available in Clerk of Court's case file). The upshot is that copyright-related consequences along with language, context, and interpretive canons argue strongly against a geographical interpretation of §109(a).

III

Wiley and the dissent make several additional important arguments in favor of the geographical interpretation. *First*, they say that our *Quality King* decision strongly supports its geographical interpretation. In that case we asked whether the Act's "importation provision," now §602(a)(1) (then §602(a)), barred importation (without permission) of a copyrighted item (labels affixed to hair care products) where an American copyright owner authorized the first sale and export of hair care products with copyrighted labels made in the United States, and where a buyer sought to import them back into the United States without the copyright owner's permission. 523 U. S., at 138-139.

We held that the importation provision did *not* prohibit sending the products back into the United States (without the copyright owner's permission). That section says:

"Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States *is an infringement* of the exclusive right to distribute copies or phonorecords *under section 106*." 17 U. S. C. §602(a)(1) (2006 ed., Supp. V) (emphasis added). *See also* §602(a) (1994 ed.).

We pointed out that this section makes importation an infringement of the "exclusive right to distribute...*under 106*." We noted that §109(a)'s "first sale" doctrine limits the scope of the §106 exclusive distribution right. We took as given the fact that the products at issue had at least once been sold. And we held that consequently, importation of the copyrighted labels does not violate §602(a)(1). 523 U. S., at 145.

In reaching this conclusion we endorsed *Bobbs-Merrill* and its statement that the copyright laws were not "intended to create a right which would permit the holder of the copyright to fasten, by notice in a book...a restriction upon the subsequent alienation of the subject-matter of copyright after the owner had parted with the title to one who had acquired full dominion over it." 210 U. S., at 349-350.

We also explained why we rejected the claim that our interpretation would make §602(a)(1) pointless. Those advancing that claim had pointed out that the 1976 Copyright Act amendments retained a prior anti-piracy provision, prohibiting the importation of *pirated* copies. *Quality King, supra*, at 146. Thus, they said, §602(a)(1) must prohibit the importation

of lawfully made copies, for to allow the importation of those lawfully made copies *after* a *first sale*, as *Quality King's* holding would do, would leave §602(a)(1) without much to prohibit. It would become superfluous, without any real work to do.

We do not believe that this argument is a strong one. Under *Quality King's* interpretation, §602(a)(1) would still forbid importing (without permission, and subject to the exceptions in §602(a)(3)) copies lawfully made abroad, for example, where (1) a foreign publisher operating as the licensee of an American publisher prints copies of a book overseas but, prior to any authorized sale, seeks to send them to the United States; (2) a foreign printer or other manufacturer (if not the "owner" for purposes of §109(a), *e.g.*, before an authorized sale) sought to send copyrighted goods to the United States; (3) "a book publisher transports copies to a wholesaler" and the wholesaler (not yet the owner) sends them to the United States, *see* Copyright Law Revision, pt. 4, at 211 (giving this example); or (4) a foreign film distributor, having leased films for distribution, or any other licensee, consignee, or bailee sought to send them to the United States. *See, e.g.*, 2 Nimmer on Copyright §8.12[B][1][a], at 8-159 ("Section 109(a) provides that the distribution right may be exercised solely with respect to the initial disposition of copies of a work, not to prevent or restrict the resale or other further transfer of possession of such copies"). These examples show that §602(a)(1) retains significance. We concede it has less significance than the dissent believes appropriate, but the dissent also adopts a construction of §106(3) that "significantly

curtails" §109(a)'s effect, *post*, at 26, and so limits the scope of that provision to a similar, or even greater, degree.

In *Quality King* we rejected the "superfluous" argument for similar reasons. But, when rejecting it, we said that, where an author gives exclusive American distribution rights to an American publisher and exclusive British distribution rights to a British publisher, "presumably *only those [copies] made by the publisher of the United States edition would be 'lawfully made under this title'* within the meaning of §109(a)." 523 U. S., at 148 (emphasis added). Wiley now argues that this phrase in the *Quality King* opinion means that books published abroad (under license) must fall outside the words "lawfully made under this title" and that we have consequently already given those words the geographical interpretation that it favors.

We cannot, however, give the *Quality King* statement the legal weight for which Wiley argues. The language "lawfully made under this title" was not at issue in *Quality King*; the point before us now was not then fully argued; we did not canvas the considerations we have here set forth; we there said nothing to suggest that the example assumes a "first sale"; and we there hedged our statement with the word "presumably." Most importantly, the statement is pure dictum. It is dictum contained in a rebuttal to a counterargument. And it is *unnecessary* dictum even in that respect. Is the Court having once written dicta calling a tomato a vegetable bound to deny that it is a fruit forever after?

To the contrary, we have written that we are not necessarily bound by dicta should more complete argument demonstrate that the dicta is not correct. *Central Va. Community College v. Katz*, 546 U. S. 356, 363 (2006) ("[W]e are not bound to follow our dicta in a prior case in which the point now at issue was not fully debated"); *Humphrey's Executor v. United States*, 295 U. S. 602, 627-628 (1935) (rejecting, under *stare decisis*, dicta, "which may be followed if sufficiently persuasive but which are not controlling"). And, given the bit part that our *Quality King* statement played in our *Quality King* decision, we believe the view of *stare decisis* set forth in these opinions applies to the matter now before us.

Second, Wiley and the dissent argue (to those who consider legislative history) that the Act's legislative history supports their interpretation. But the historical events to which it points took place more than a decade before the enactment of the Act and, at best, are inconclusive.

During the 1960's, representatives of book, record, and film industries, meeting with the Register of Copyrights to discuss copyright revision, complained about the difficulty of dividing international markets. Copyright Law Revision Discussion and Comments on Report of the Register of Copyrights on the General Revision of the U. S. Copyright Law, 88th Cong., 1st Sess., pt. 2, p. 212 (Comm. Print 1963) (English editions of "particular" books "fin[d]" their "way into this country"); *id.*, at 213 (works "publi[shed] in a country where there is no copyright protection of any sort" are put into "the free stream of

commerce" and "shipped to the United States"); *ibid.* (similar concern in respect to films).

The then-Register of Copyrights, Abraham Kaminstein, found these examples "very troubl[ing]." *Ibid.* And the Copyright Office released a draft provision that it said "deals with the matter of the importation for distribution in the United States of foreign copies that were made under proper authority but that, if sold in the United States, would be sold in contravention of the rights of the copyright owner who holds the exclusive right to sell copies in the United States." *Id.*, pt. 4, at 203. That draft version, without reference to §106, simply forbids unauthorized imports. It said:

> "Importation into the United States of copies or records of a work for the purpose of distribution to the public shall, if such articles are imported without the authority of the owner of the exclusive right to distribute copies or records under this title, constitute an infringement of copyright actionable under section 35 [17 U. S. C. §501]." *Id.*, Preliminary Draft for Revised U. S. Copyright Law and Discussions and Comments, 88th Cong., 2d Sess., pt. 3, pp. 32-33 (Comm. Print 1964).

In discussing the draft, some of those present expressed concern about its effect on the "first sale" doctrine. For example, Irwin Karp, representing the Authors League of America asked, "If a German jobber lawfully buys copies from a German publisher, are we not running into the problem of restricting his transfer of his lawfully obtained copies?" *Id.*, pt. 4, at 211. The Copyright Office representative re-

plied, "This could vary from one situation to another, I guess. I should guess, for example, that if a book publisher transports [*i.e.*, does not sell] copies to a wholesaler [*i.e., a nonowner*], this is not *yet* the kind of transaction that exhausts the right to control disposition." *Ibid.* (emphasis added).

The Office later withdrew the draft, replacing it with a draft, which, by explicitly referring to §106, was similar to the provision that became law, now §602(a)(1). The Office noted in a report that, under the new draft, importation of a copy (without permission) "would violate the exclusive rights of the U. S. copyright owner...where the copyright owner had authorized the making of copies in a foreign country for distribution only in that country." *Id.*, pt. 6, at 150.

Still, that part of the report says nothing about the "first sale" doctrine, about §109(a), or about the five words, "lawfully made under this title." And neither the report nor its accompanying 1960's draft answers the question before us here. *Cf. Quality King*, 523 U. S., at 145 (without those five words, the import clause, via its reference to §106, imports the "first sale" doctrine).

But to ascertain the best reading of *§109(a)*, rather than dissecting the remarks of industry representatives concerning §602 at congressional meetings held 10 years before the statute was enacted, *see post*, at 13-16, we would give greater weight to the congressional report accompanying §109(a), written a decade later when Congress passed the new law That report says:

> "Section 109(a) restates and confirms the principle that, where the *copyright* owner has transferred ownership of a particular copy or phonorecord of a work, the person to whom the copy or phonorecord is transferred is entitled to dispose of it by sale, rental, or any other means. Under this principle, which has been established by the court decisions and...the present law, the copyright owner's exclusive right of public distribution would have no effect upon anyone who owns 'a particular copy or phonorecord lawfully made under this title' and who wishes to transfer it to someone else or to destroy it.
>
> "To come within the scope of section 109(a), a copy or phonorecord must have been 'lawfully made under this title,' though not necessarily with the copyright owner's authorization. For example, any resale of an illegally 'pirated' phonorecord would be an infringement but the disposition of a phonorecord legally made under the compulsory licensing provisions of section 115 would not." H. R. Rep. No. 94-1476, at 79 (emphasis added).

Accord, S. Rep. No. 94-473, pp. 71-72 (1975).

This history reiterates the importance of the "first sale" doctrine. *See, e.g.*, Copyright Law Revision, 1964 Revision Bill with Discussions and Comments, 89th Cong., 1st Sess., pt. 5, p. 66 (Comm. Print 1965) ("[F]ull ownership of a lawfully-made copy authorizes its owner to dispose of it freely"). It explains, as we have explained, the nongeographical purposes of

the words "lawfully made under this title." Part II–B, *supra*. And it says nothing about geography. Nor, importantly, did §109(a)'s predecessor provsion. *See supra*, at 12. This means that, contrary to the dissent's suggestion, any lack of legislative history pertaining to the "first sale" doctrine only tends to bolster our position that Congress' 1976 revision did not intend to create a drastic geographical change in its revision to that provision. *See post*, at 18, n. 13. We consequently believe that the legislative history, on balance, supports the nongeographical interpretation.

Third, Wiley and the dissent claim that a nongeographical interpretation will make it difficult, perhaps impossible, for publishers (and other copyright holders) to divide foreign and domestic markets. We concede that is so. A publisher may find it more difficult to charge different prices for the same book in different geographic markets. But we do not see how these facts help Wiley, for we can find no basic principle of copyright law that suggests that publishers are especially entitled to such rights.

The Constitution describes the nature of American copyright law by providing Congress with the power to "secur[e]" to "[a]uthors" "for limited [t]imes" the "*exclusive [r]ight to their...[w]ritings*." Art. I, §8, cl. 8. The Founders, too, discussed the need to grant an author a limited right to exclude competition. Compare Letter from Thomas Jefferson to James Madison (July 31, 1788), in 13 Papers of Thomas Jefferson 440, 442-443 (J. Boyd ed. 1956) (arguing against any monopoly) with Letter from James Madison to

Thomas Jefferson (Oct. 17, 1788), in 14 *id.*, at 16, 21 (J. Boyd ed. 1958) (arguing for a limited monopoly to secure production). But the Constitution's language nowhere suggests that its limited exclusive right should include a right to divide markets or a concomitant right to charge different purchasers different prices for the same book, say to increase or to maximize gain. Neither, to our knowledge, did any Founder make any such suggestion. We have found no precedent suggesting a legal preference for interpretations of copyright statutes that would provide for market divisions. *Cf.* Copyright Law Revision, pt. 2, at 194 (statement of Barbara Ringer, Copyright Office) (division of territorial markets was "primarily a matter of private contract").

To the contrary, Congress enacted a copyright law that (through the "first sale" doctrine) limits copyright holders' ability to divide domestic markets. And that limitation is consistent with antitrust laws that ordinarily forbid market divisions. *Cf. Palmer v. BRG of Ga., Inc.*, 498 U. S. 46, 49-50 (1990) (*per curiam*) ("[A]greements between competitors to allocate territories to minimize competition are illegal"). Whether copyright owners should, or should not, have more than ordinary commercial power to divide international markets is a matter for Congress to decide. We do no more here than try to determine what decision Congress has taken.

Fourth, the dissent and Wiley contend that our decision launches United States copyright law into an unprecedented regime of "international exhaustion." *Post*, at 18-23; Brief for Respondent 45-46.

But they point to nothing indicative of congressional intent in 1976. The dissent also claims that it is clear that the United States now opposes adopting such a regime, but the Solicitor General as *amicus* has taken no such position in this case. In fact, when pressed at oral argument, the Solicitor General stated that the consequences of Wiley's reading of the statute (perpetual downstream control) were "worse" than those of Kirtsaeng's reading (restriction of market segmentation). Tr. of Oral Arg. 51. And the dissent's reliance on the Solicitor General's position in *Quality King* is undermined by his agreement in that case with our reading of §109(a). Brief for United States as *Amicus Curiae* in *Quality King*, O. T. 1996, No. 1470, p. 30 ("When..Congress wishes to make the location of manufacture relevant to Copyright Act protection, it does so expressly"); *ibid.* (calling it "distinctly unlikely" that Congress would have provided an incentive for overseas manufacturing).

Moreover, the exhaustion regime the dissent apparently favors would provide that "the sale in one country of a good" does not "exhaus[t] the intellectual-property owner's right to control the distribution of that good elsewhere." *Post*, at 18-19. But our holding in *Quality King* that §109(a) is a defense in U. S. courts even when "the first sale occurred abroad," 523 U. S., at 145, n. 14, has already significantly eroded such a principle.

IV

For these reasons we conclude that the considerations supporting Kirtsaeng's nongeographical inter-

pretation of the words "lawfully made under this title" are the more persuasive. The judgment of the Court of Appeals is reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

SUPREME COURT OF THE UNITED STATES

No. 11-697

SUPAP KIRTSAENG, DBA BLUECHRISTINE99, PETITIONER *v.* JOHN WILEY & SONS, INC.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

[March 19, 2013]

JUSTICE KAGAN, with whom JUSTICE ALITO joins, concurring.

I concur fully in the Court's opinion. Neither the text nor the history of 17 U. S. C. §109(a) supports removing first-sale protection from every copy of a protected work manufactured abroad. *See ante*, at 8-16, 28-31. I recognize, however, that the combination of today's decision and *Quality King Distributors, Inc. v. L'anza Research Int'l, Inc.*, 523 U. S. 135 (1998), constricts the scope of §602(a)(1)'s ban on unauthorized importation. I write to suggest that any problems associated with that limitation come not from our reading of §109(a) here, but from *Quality King*'s holding that §109(a) limits §602(a)(1).

As the Court explains, the first-sale doctrine has played an integral part in American copyright law for over a century. *See ante*, at 17-19; *Bobbs-Merrill Co. v. Straus*, 210 U. S. 339 (1908). No codification of the doctrine prior to 1976 even arguably limited its application to copies made in the United States.

See ante, at 12. And nothing in the text or history of §109(a) –the Copyright Act of 1976's first-sale provision—suggests that Congress meant to enact the new, geographical restriction John Wiley proposes, which at once would deprive American consumers of important rights and encourage copyright holders to manufacture abroad. *See ante*, at 8-16, 28-31.

That said, John Wiley is right that the Court's decision, when combined with *Quality King*, substantially narrows §602(a)(1)'s ban on unauthorized importation. *Quality King* held that the importation ban does not reach any copies receiving first-sale protection under §109(a). *See* 523 U. S., at 151-152. So notwithstanding §602(a)(1), an "owner of a particular copy...lawfully made under this title" can import that copy without the copyright owner's permission. §109(a). In now holding that copies "lawfully made under this title" include copies manufactured abroad, we unavoidably diminish §602(a)(1)'s scope—indeed, limit it to a fairly esoteric set of applications. *See ante*, at 26-27.

But if Congress views the shrinking of §602(a)(1) as a problem, it should recognize *Quality King*—not our decision today—as the culprit. Here, after all, we merely construe §109(a); *Quality King* is the decision holding that §109(a) limits §602(a)(1). Had we come out the opposite way in that case, §602(a)(1) would allow a copyright owner to restrict the importation of copies irrespective of the first-sale doctrine.[1] That result would enable the copyright owner

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[1] Although *Quality King* concluded that the statute's text foreclosed that outcome, *see* 523 U. S., at 151-152, the Solicitor

to divide international markets in the way John Wiley claims Congress intended when enacting §602(a)(1). But it would do so without imposing downstream liability on those who purchase and resell in the United States copies that happen to have been manufactured abroad. In other words, that outcome would target unauthorized importers alone, and not the "libraries, used-book dealers, technology companies, consumer-goods retailers, and museums" with whom the Court today is rightly concerned. *Ante*, at 19. Assuming Congress adopted §602(a)(1) to permit market segmentation, I suspect that is how Congress thought the provision would work—not by removing first-sale protection from every copy manufactured abroad (as John Wiley urges us to do here), but by enabling the copyright holder to control imports even when the first-sale doctrine applies (as *Quality King* now prevents).[2]

General offered a cogent argument to the contrary. He reasoned that §109(a) does not limit §602(a)(1) because the former authorizes owners only to "sell" or "dispose" of copies—not to import them: The Act's first-sale provision and its importation ban thus regulate separate, non-overlapping spheres of conduct. *See* Brief for United States as *Amicus Curiae* in *Quality King*, O. T. 1996, No. 96-1470, pp. 5, 8-10. That reading remains the Government's preferred way of construing the statute. *See* Tr. of Oral Arg. 44 ("[W]e think that we still would adhere to our view that section 109(a) should not be read as a limitation on section 602(a)(1)"); *see also ante*, at 32-33; *post*, at 21, n. 15 (GINSBURG, J., dissenting).

[2] Indeed, allowing the copyright owner to restrict imports irrespective of the first-sale doctrine—*i.e.*, reversing *Quality King*—would yield afar more sensible scheme of market segmentation than would adopting John Wiley's argument here.

At bottom, John Wiley (together with the dissent) asks us to misconstrue §109(a) in order to restore §602(a)(1) to its purportedly rightful function of enabling copyright holders to segment international markets. I think John Wiley may have a point about what §602(a)(1) was designed to do; that gives me pause about *Quality King*'s holding that the first-sale doctrine limits the importation ban's scope. But the Court today correctly declines the invitation to save §602(a)(1) from *Quality King* by destroying the first-sale protection that §109(a) gives to every owner of a copy manufactured abroad. That would swap one (possible) mistake for a much worse one, and make our reading of the statute only less reflective of Congressional intent. If Congress thinks copyright owners need greater power to restrict importation and thus divide markets, a ready solution is at hand—not the one John Wiley offers in this case, but the one the Court rejected in *Quality King*.

That is because only the former approach turns on the *intended market* for copies; the latter rests instead on their *place of manufacture*. To see the difference, imagine that John Wiley prints all its textbooks in New York, but wants to distribute certain versions only in Thailand. Without *Quality King*, John Wiley could do so—*i.e.*, produce books in New York, ship them to Thailand, and prevent anyone from importing them back into the United States. But with *Quality King*, that course is not open to John Wiley even under its reading of §109(a): To prevent someone like Kirtsaeng from reimporting the books—and so to segment the Thai market—John Wiley would have to move its printing facilities abroad. I can see no reason why Congress would have conditioned a copyright owner's power to divide markets on outsourcing its manufacturing to a foreign country.

SUPREME COURT OF THE UNITED STATES

No. 11-697

SUPAP KIRTSAENG, DBA BLUECHRISTINE99, PETITIONER v. JOHN WILEY & SONS, INC.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

[March 19, 2013]

JUSTICE GINSBURG, with whom JUSTICE KENNEDY joins, and with whom JUSTICE SCALIA joins except as to Parts III and V-B-1, dissenting.

"In the interpretation of statutes, the function of the courts is easily stated. It is to construe the language so as to give effect to the intent of Congress." *United States v. American Trucking Assns., Inc.*, 310 U. S. 534, 542 (1940). Instead of adhering to the Legislature's design, the Court today adopts an interpretation of the Copyright Act at odds with Congress' aim to protect copyright owners against the unauthorized importation of low-priced, foreign-made copies of their copyrighted works. The Court's bold departure from Congress' design is all the more stunning, for it places the United States at the vanguard of the movement for "international exhaustion" of copyrights—a movement the United States has steadfastly resisted on the world stage.

To justify a holding that shrinks to insignificance copyright protection against the unauthorized im-

portation of foreign-made copies, the Court identifies several "practical problems." *Ante*, at 24. The Court's parade of horribles, however, is largely imaginary. Congress' objective in enacting 17 U. S. C. §602(a)(1)'s importation prohibition can be honored without generating the absurd consequences hypothesized in the Court's opinion. I dissent from the Court's embrace of "international exhaustion," and would affirm the sound judgment of the Court of Appeals.

I

Because economic conditions and demand for particular goods vary across the globe, copyright owners have a financial incentive to charge different prices for copies of their works in different geographic regions. Their ability to engage in such price discrimination, however, is undermined if arbitrageurs are permitted to import copies from low-price regions and sell them in high-price regions. The question in this case is whether the unauthorized importation of foreign-made copies constitutes copyright infringement under U. S. law.

To answer this question, one must examine three provisions of Title 17 of the U. S. Code: §§106(3), 109(a), and 602(a)(1). Section 106 sets forth the "exclusive rights" of a copyright owner, including the right "to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending." §106(3). This distribution right is limited by §109(a), which provides: "Notwithstanding the provisions of section 106(3), the owner of a particular copy or

phonorecord lawfully made under this title...is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." Section 109(a) codifies the "first sale doc-trine," a doctrine articulated in *Bobbs-Merrill Co. v. Straus*, 210 U. S. 339, 349-351 (1908), which held that a copyright owner could not control the price at which retailers sold lawfully purchased copies of its work. The first sale doctrine recognizes that a copyright owner should not be permitted to exercise perpetual control over the distribution of copies of a copyrighted work. At some point—ordinarily the time of the first commercial sale—the copyright owner's exclusive right under §106(3) to control the distribution of a particular copy is exhausted, and from that point forward, the copy can be resold or otherwise redistributed without the copyright owner's authorization.

Section 602(a)(1) (2006 ed., Supp. V)[1]—last, but most critical, of the three copyright provisions bearing on this case—is an importation ban. It reads:

> "Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute cop-

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[1] In 2008, Congress renumbered what was previously §602(a) as §602(a)(1). *See* Prioritizing Resources and Organization for Intellectual Property Act of 2008 (PROIPA), §105(b)(2), 122 Stat. 4259. Like the Court, I refer to the provision by its current numbering.

ies or phonorecords under section 106, actionable under section 501."

In *Quality King Distributors, Inc. v. L'anza Research Int'l, Inc.*, 523 U. S. 135, 143-154 (1998), the Court held that a copyright owner's right to control importation under §602(a)(1) is a component of the distribution right set forth in §106(3) and is therefore subject to §109(a)'s codification of the first sale doctrine. *Quality King* thus held that the importation of copies *made in the United States* but sold abroad did not rank as copyright infringement under §602(a)(1). *Id.*, at 143-154. *See also id.*, at 154 (GINSBURG, J., concurring) (*Quality King* "involve[d] a 'round trip' journey, travel of the copies in question from the United States to places abroad, then back again").[2]

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[2] Although JUSTICE KAGAN's concurrence suggests that *Quality King* erred in "holding that §109(a) limits §602(a)(1)," *ante*, at 2, that recent, unanimous holding must be taken as a given. *See John R. Sand & Gravel Co. v. United States*, 552 U. S. 130, 139 (2008) ("*[S]tare decisis* in respect to statutory interpretation has 'special force,' for 'Congress remains free to alter what we have done.'" (quoting *Patterson v. McLean Credit Union*, 491 U. S. 164, 172–173 (1989))). The Court's objective in this case should be to avoid unduly "constrict[ing] the scope of §602(a)(1)'s ban on unauthorized importation," *ante*, at 1 (opinion of KAGAN, J.), while at the same time remaining faithful to *Quality King*'s holding and to the text and history of other Copyright Act provisions. This aim is not difficult to achieve. See Parts II-V, *infra*. JUSTICE KAGAN and I appear to agree to this extent: Congress meant the ban on unauthorized importation to have real force. *See ante*, at 3 (acknowledging that "Wiley may have a point about what §602(a)(1) was designed to do").

Important to the Court's holding, the copies at issue in *Quality King* had been "'lawfully made under [Title 17]'"—a prerequisite for application of §109(a). *Id.*, at 143, n. 9 (quoting §109(a)). Section 602(a)(1), the Court noted, would apply to "copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country" *Id.*, at 147. Drawing on an example discussed during a 1964 public meeting on proposed revisions to the U. S. copyright laws,[3] the Court stated:

> "If the author of [a] work gave the exclusive United States distribution rights—enforceable under the Act—to the publisher of the United States edition and the exclusive British distribution rights to the publisher of the British edition,...presumably only those [copies] made by the publisher of the United States edition would be 'lawfully made under this title' within the meaning of §109(a). The first sale doctrine would not provide the publisher of the British edition who decided to sell in the American market with a defense to an action under §602(a) (or, for that matter, to an action under §106(3), if there was a distribution of the copies)." *Id.*, at 148.

As the District Court and the Court of Appeals concluded, *see* 654 F 3d 210, 221-222 (CA2 2011);

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[3] *See Quality King Distributors, Inc. v. L'anza Research Int'l, Inc.*, 523 U. S. 135, 148, n. 20 (1998) (quoting Copyright Law Revision Part 4: Further Discussions and Comments on Preliminary Draft for Revised U. S. Copyright Law, 88th Cong., 2d Sess., 119 (H. R. Judiciary Comm. Print 1964) (hereinafter Copyright Law Revision Part 4) (statement of Harriet Pilpel)).

App. to Pet. for Cert. 70a-73a, application of the *Quality King* analysis to the facts of this case would preclude any invocation of §109(a). Petitioner Supap Kirtsaeng imported and then sold at a profit over 600 copies of copyrighted textbooks printed outside the United States by the Asian subsidiary of respondent John Wiley & Sons, Inc. (Wiley). App. 29-34. *See also ante*, at 3-5 (opinion of the Court). In the words the Court used in *Quality King*, these copies "were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country." 523 U. S., at 147 Section 109(a) therefore does not apply, and Kirtsaeng's unauthorized importation constitutes copyright infringement under §602(a)(1).

The Court does not deny that under the language I have quoted from *Quality King*, Wiley would prevail. *Ante*, at 27. Nevertheless, the Court dismisses this language, to which all Members of the *Quality King* Court subscribed, as ill-considered dictum. *Ante*, at 27-28. I agree that the discussion was dictum in the sense that it was not essential to the Court's judgment. *See Quality King*, 523 U. S., at 154 (GINSBURG, J., concurring) ("[W]e do not today resolve cases in which the allegedly infringing imports were manufactured abroad."). But I disagree with the Court's conclusion that this dictum was ill considered. Instead, for the reasons explained below, I would hold, consistently with *Quality King*'s dictum, that §602(a)(1) authorizes a copyright owner to bar the importation of a copy manufactured abroad for sale abroad.

II

The text of the Copyright Act demonstrates that Congress intended to provide copyright owners with a potent remedy against the importation of foreign-made copies of their copyrighted works. As the Court recognizes, *ante*, at 3, this case turns on the meaning of the phrase "lawfully made under this title" in §109(a). In my view, that phrase is most sensibly read as referring to instances in which a copy's creation is governed by. and conducted in compliance with, Title 17 of the U. S. Code. This reading is consistent with the Court's interpretation of similar language in other statutes. *See Florida Dept. of Revenue v. Piccadilly Cafeterias, Inc.*, 554 U. S. 33, 52-53 (2008) ("under" in 11 U. S. C. §1146(a), a Bankruptcy Code provision exempting certain asset transfers from stamp taxes, means "pursuant to"); *Ardestani v. INS*, 502 U. S. 129, 135 (1991) (the phrase "under section 554" in the Equal Access to Justice Act means "subject to" or "governed by" 5 U. S. C. §554 (internal quotation marks omitted)). It also accords with dictionary definitions of the word "under." *See, e.g.*, American Heritage Dictionary 1887 (5th ed. 2011) ("under" means, among other things, "[s]ubject to the authority, rule, or control of").

Section 109(a), properly read, affords Kirtsaeng no defense against Wiley's claim of copyright infringement. The Copyright Act, it has been observed time and again, does not apply extraterritorially. *See United Dictionary Co. v. G. & C. Merriam Co.*, 208 U. S. 260, 264 (1908) (copyright statute requiring that U. S. copyright notices be placed in all copies of

a work did not apply to copies published abroad because U. S. copyright laws have no "force" beyond the United States' borders); 4 M. Nimmer & D. Nimmer, Copyright §17.02, p. 17-18 (2012) (hereinafter Nimmer) ("[C]opyright laws do not have any extraterritorial operation."); 4 W Patry, Copyright §13:22, p. 13-66 (2012) (hereinafter Patry) ("Copyright laws are rigorously territorial.") The printing of Wiley's foreign-manufactured textbooks therefore was not governed by Title 17 The textbooks thus were not "lawfully made under [Title 17]," the crucial precondition for application of §109(a). And if §109(a) does not apply, there is no dispute that Kirtsaeng's conduct constituted copyright infringement under §602(a)(1).

The Court's point of departure is similar to mine. Ac-cording to the Court, the phrase "'lawfully made under this title' means made 'in accordance with' or 'in compliance with' the Copyright Act." *Ante*, at 8. But the Court overlooks that, according to the very dictionaries it cites, *ante*, at 9, the word "under" commonly signals a relationship of subjection, where one thing is governed or regulated by another. *See* Black's Law Dictionary 1525 (6th ed. 1990) ("under" "frequently" means "inferior" or "subordinate" (internal quotation marks omitted)); 18 Oxford English Dictionary 950 (2d ed. 1989) ("under" means, among other things, "[i]n accordance with *(some regulative power or principle)*" (emphasis added)). *See also* Webster's Third New International Dictionary 2487 (1961) ("under" means, among other things, "in...a condition of subjection, regulation, or subordination" and "suffering restriction, restraint, or control by").

Only by disregarding this established meaning of "under" can the Court arrive at the conclusion that Wiley's foreign-manufactured text-books were "lawfully made under" U. S. copyright law, even though that law did not govern their creation. It is anomalous, however, to speak of particular conduct as "lawful" under an inapplicable law. For example, one might say that driving on the right side of the road in England is "lawful" under U. S. law, but that would be so only because U. S. law has nothing to say about the subject. The governing law is English law, and English law demands that driving be done on the left side of the road.[4]

The logical implication of the Court's definition of the word "under" is that *any* copy manufactured abroad—even a piratical one made without the copyright owner's authorization and in violation of the law of the country where it was created—would fall within the scope of §109(a). Any such copy would have been made "in accordance with" or "in compliance with" the U. S. Copyright Act, in the sense that

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[4] The Court asserts that my position gives the word "lawfully" in §109(a) "little, if any, linguistic work to do." *Ante*, at 9. That is not so. My reading gives meaning to each word in the phrase "lawfully made under this title." The word "made" signifies that the conduct at issue is the creation or manufacture of a copy. *See* Webster's Third New International Dictionary 1356 (1961) (defining "made" as "artificially produced by a manufacturing process"). The word "lawfully" indicates that for §109(a) to apply, the copy's creation must have complied with some body of law. Finally, the prepositional phrase "under this title" clarifies what that body of law is—namely, the copyright prescriptions contained in Title 17 of the U. S. Code.

manufacturing the copy did not violate the Act (because the Act does not apply extraterritorially).

The Court rightly refuses to accept such an absurd conclusion. Instead, it interprets §109(a) as applying only to copies whose making actually complied with Title 17, or would have complied with Title 17 had Title 17 been applicable (*i.e.*, had the copies been made in the United States). *See ante*, at 8 ("§109(a)'s 'first sale' doctrine would apply to copyrighted works as long as their manufacture met the requirements of American copyright law."). Congress, however, used express language when it called for such a counterfactual inquiry in 17 U. S. C. §§602(a)(2) and (b). *See* §602(a)(2) ("Importation into the United States or exportation from the United States, without the authority of the owner of copyright under this title, of copies or phonorecords, the making of which either constituted an infringement of copyright, or *which would have constituted an infringement of copyright if this title had been applicable*, is an infringement of the exclusive right to distribute copies or phonorecords under section 106." (emphasis added)); §602(b) ("In a case where the making of the copies or phonorecords *would have constituted an infringement of copyright if this title had been applicable*, their importation is prohibited." (emphasis added)). Had Congress intended courts to engage in a similarly hypothetical inquiry under §109(a), Congress would presumably have included similar language in that section. *See Russello v. United States*, 464 U. S. 16, 23 (1983) ("'[W]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is gen-

erally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.'" (quoting *United States v. Wong Kim Bo*, 472 F 2d 720, 722 (CA5 1972) (*per curiam*); brackets in original)).[5]

Not only does the Court adopt an unnatural construction of the §109(a) phrase "lawfully made under

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[5] Attempting to show that my reading of §109(a) is susceptible to the same criticism, the Court points to the now-repealed "manufacturing clause," which required "copies of a work consisting preponderantly of nondramatic literary material...in the English language" to be "manufactured in the United States or Canada." Copyright Act of 1976, §601(a), 90 Stat. 2588. Because Congress expressly referred to manufacturing in this provision, the Court contends, the phrase "lawfully made under this title" in §109(a) cannot mean "manufactured in the United States." *Ante*, at 19. This argument is a non sequitur. I do *not* contend that the phrases "lawfully made under this title" and "manufactured in the United States" are interchangeable. To repeat, I read the phrase "lawfully made under this title" as referring to instances in which a copy's creation is governed by, and conducted in compliance with, Title 17 of the U. S. Code. *See supra*, at 6. Not all copies "manufactured in the United States" will satisfy this standard. For example, piratical copies manufactured in the United States without the copyright owner's authorization are not "lawfully made under [Title 17]." Nor would the phrase "lawfully manufactured in the United States" be an exact substitute for "lawfully made under this title." The making of a copy may be lawful under Title 17 yet still violate some other provision of law. Consider, for example, a copy made with the copyright owner's authorization by workers who are paid less than minimum wage. The copy would be "lawfully made under [Title 17]" in the sense that its creation would not violate any provision of that title, but the copy's manufacturing would nonetheless be unlawful due to the violation of the minimum-wage laws.

this title." Concomitantly, the Court reduces §602(a)(1) to insignificance. As the Court appears to acknowledge, *see ante*, at 26, the only independent effect §602(a)(1) has under to-day's decision is to prohibit unauthorized importations carried out by persons who merely have possession of, but do not own, the imported copies. *See* 17 U. S. C. §109(a) (§109(a) applies to any "*owner* of a particular copy or phonorecord lawfully made under this title" (emphasis added)).[6] If this is enough to avoid rendering §602(a)(1) entirely "superfluous," *ante*, at 26, it hardly suffices to give the owner's importation right the scope Congress intended it to have. Congress used broad language in §602(a)(1); it did so to achieve a broad objective. Had Congress intended simply to provide a copyright remedy against larcenous lessees, licensees, consignees, and bailees of films and other copyright-protected goods, *see ante*, at 13-14, 26, it likely would have used language tailored to that narrow purpose. *See* 2 Nimmer §8.12[B][6][c], at 8-184.31, n. 432 ("It may be wondered wheth-

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[6] When §602(a)(1) was originally enacted in 1976, it played an additional role—providing a private cause of action against importers of piratical goods. *See Quality King*, 523 U. S., at 146. In 2008, however, Congress amended §602 to provide for such a cause of action in §602(a)(2), which prohibits the unauthorized "[i]mportation into the United States...of copies or phonorecords, the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if [Title 17] had been applicable." *See* PROIPA, §105(b)(3), 122 Stat. 4259–4260. Thus, under the Court's interpretation, the only conduct reached by §602(a)(1) but not §602(a)(2) is a nonowner' s unauthorized importation of a nonpiratical copy.

er...potential causes of action [against licensees and the like] are more than theoretical."). *See also ante*, at 2 (KAGAN, J., concurring) (the Court's decision limits §602(a)(1) "to a fairly esoteric set of applications").[7]

The Court's decision also overwhelms 17 U. S. C. §602(a)(3)'s exceptions to §602(a)(1)'s importation prohibition. 2 P Goldstein, Copyright §7.6.1.2(a), p. 7:141 (3d ed. 2012) (hereinafter Goldstein).[8] Those

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[7] Notably, the Court ignores the history of §602(a)(1), which reveals that the primary purpose of the prescription was not to provide a remedy against rogue licensees, consignees, and bailees, against whom copyright owners could frequently assert breach-of-contract claims even in the absence of §602(a)(1). Instead, the primary purpose of §602(a)(1) was to reach third-party importers, enterprising actors like Kirtsaeng, against whom copyright owners could not assert contract claims due to lack of privity. *See* Part III, *infra*.

[8] Section 602(a)(3) provides:
"This subsection [*i.e.*, §602(a)] does not apply to—

"(A) importation or exportation of copies or phonorecords under the authority or for the use of the Government of the United States or of any State or political subdivision of a State, but not including copies or phonorecords for use in schools, or copies of any audiovisual work imported for purposes other than archival use;

"(B) importation or exportation, for the private use of the importer or exporter and not for distribution, by any person with respect to no more than one copy or phonorecord of any one work at any one time, or by any person arriving from outside the United States or departing from the United States with respect to copies or phonorecords forming part of such person's personal baggage; or

"(C) importation by or for an organization operated for scholarly, educational, or religious purposes and not for private gain, with respect to no more than one copy of an audiovisual

exceptions permit the importation of copies without the copyright owner's authorization for certain governmental, personal, scholarly, educational, and religious purposes. 17 U. S. C. §602(a)(3). Copies imported under these exceptions "will often be lawfully made gray market goods purchased through normal market channels abroad." 2 Goldstein §7.6.1.2(a), at 7:141.[9] But if, as the Court holds, such copies can in any event be imported by virtue of §109(a), §602(a)(3)'s work has already been done. For example, had Congress conceived of §109(a)'s sweep as the Court does, what earthly reason would there be to provide, as Congress did in §602(a)(3)(C), that a library may import "no more than five copies" of a non-audiovisual work for its "lending or archival purposes"?

The far more plausible reading of §§109(a) and 602(a), then, is that Congress intended §109(a) to apply to copies made in the United States, not to copies manufactured and sold abroad. That reading

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work solely for its archival purposes, and no more than five copies or phonorecords of any other work for its library lending or archival purposes, unless the importation of such copies or phonorecords is part of an activity consisting of systematic reproduction or distribution, engaged in by such organization in violation of the provisions of section 108(g)(2)."

[9] The term "gray market good" refers to a good that is "imported outside the distribution channels that have been contractually negotiated by the intellectual property owner." Forsyth & Rothnie, Parallel Imports, in The Interface Between Intellectual Property Rights and Competition Policy 429 (S. Anderman ed. 2007). Such goods are also commonly called "parallel imports." *Ibid.*

of the first sale and importation provisions leaves §602(a)(3)'s exceptions with real, meaningful work to do. *See TRW Inc. v. Andrews*, 534 U. S. 19, 31 (2001) ("It is a cardinal principle of statutory construction that a statute ought, upon the whole, to be so construed that, if it can be prevented, no clause, sentence, or word shall be superfluous, void, or insignificant." (internal quotation marks omitted)). In the range of circumstances covered by the exceptions, §602(a)(3) frees individuals and entities who purchase foreign-made copies abroad from the requirement they would otherwise face under §602(a)(1) of obtaining the copyright owner's permission to import the copies into the United States.[10]

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[10] The Court asserts that its reading of §109(a) is bolstered by §104, which extends the copyright "protection[s]" of Title 17 to a wide variety of foreign works. *See ante*, at 10-11. The "protection under this title" afforded by §104, however, is merely protection against infringing conduct within the United States, the only place where Title 17 applies. *See* 4 W. Patry, Copyright §13:44.10, pp. 13-128 to 13-129 (2012) (hereinafter Patry). Thus, my reading of the phrase "under this title" in §109(a) is consistent with Congress' use of that phrase in §104. Furthermore, §104 describes which *works* are entitled to copyright protection under U. S. law. But no one disputes that Wiley's copyrights in the works at issue in this case are valid. The only question is whether Kirtsaeng's importation of *copies* of those works infringed Wiley's copyrights. It is basic to copyright law that "[o]wnership of a copyright...is distinct from ownership of any material object in which the work is embodied." 17 U. S. C. §202. *See also* §101 ("'Copies' are material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device."). Given the distinction copyright law draws between works and copies, §104 is inappo-

III

The history of §602(a)(1) reinforces the conclusion I draw from the text of the relevant provisions: §109(a) does not apply to copies manufactured abroad. Section 602(a)(1) was enacted as part of the Copyright Act of 1976, 90 Stat. 2589-2590. That Act was the product of a lengthy revision effort overseen by the U. S. Copyright Office. *See Mills Music, Inc. v. Snyder*, 469 U. S. 153, 159-160 (1985). In its initial 1961 report on recommended revisions, the Copyright Office noted that publishers had "suggested that the [then-existing] import ban on piratical copies should be extended to bar the importation of...foreign edition[s]" in violation of "agreements to divide international markets for copyrighted works." Copyright Law Revision: Report of the Register of Copyrights on the General Revision of the U. S. Copyright Law, 87th Cong., 1st Sess., 126 (H. R. Judiciary Comm. Print 1961) (hereinafter Copyright Law Revision). *See* Copyright Act of 1947, §106, 61 Stat. 663 ("The importation into the United States...of any piratical copies of any work copyrighted in the United States...is prohibited."). The Copyright Office originally recommended against such an extension of the importation ban, reasoning that enforcement of

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site to the question here presented. 4 Patry §13:44.10, at 13-129 ("There is no connection, linguistically or substantively, between Section[s] 104 and 109: Section 104 deals with national eligibility for the *intangible* work of authorship; Section 109(a) deals with the *tangible*, physical embodiment of the work, the 'copy.'").

territorial restrictions was best left to contract law. Copyright Law Revision 126.

Publishing-industry representatives argued strenuously against the position initially taken by the Copyright Office. At a 1962 panel discussion on the Copyright Office's report, for example, Horace Manges of the American Book Publishers Council stated:

> "When a U. S. book publisher enters into a contract with a British publisher to acquire exclusive U. S. rights for a particular book, he often finds that the English edition of that particular book finds its way into this country. Now it's all right to say, 'Commence a lawsuit for breach of contract.' But this is expensive, burdensome, and, for the most part, ineffective." Copyright Law Revision Part 2: Discussion and Comments on Report of the Register of Copyrights on the General Revision of the U. S. Copyright Law, 88th Cong., 1st Sess., 212 (H. R. Judiciary Comm. Print 1963).

Sidney Diamond, representing London Records, elaborated on Manges' statement. "There are many situations," he explained, "in which it is not necessarily a question of the inadequacy of a contract remedy—in the sense that it may be difficult or not quick enough to solve the particular problem." *Id.*, at 213. "Very frequently," Diamond stated, publishers "run into a situation where...copies of [a] work...produced in a foreign country...may be shipped [to the United States] without violating any contract of the U. S. copyright proprietor." *Ibid.* To illustrate, Diamond noted, if a "British publisher

[sells a copy] to an individual who in turn ship[s] it over" to the United States, the individual's conduct would not "violate [any] contract between the British and the American publisher." *Ibid.* In such a case, "no possibility of any contract remedy" would exist. *Ibid.* The facts of Kirtsaeng's case fit Diamond's example, save that the copies at issue here were printed and initially sold in Asia rather than Great Britain.

After considering comments on its 1961 report, the Copyright Office "prepared a preliminary draft of provisions for a new copyright statute." Copyright Law Revision Part 3: Preliminary Draft for Revised U. S. Copyright Law and Discussions and Comments on the Draft, 88th Cong., 2d Sess., V (H. R. Judiciary Comm. Print 1964). Section 44 of the draft statute addressed the concerns raised by publishing-industry representatives. In particular, §44(a) provided:

> "Importation into the United States of copies or records of a work for the purpose of distribution to the public shall, if such articles are imported without the authority of the owner of the exclusive right to distribute copies or records under this title, constitute an infringement of copyright actionable under section 35 [*i.e.*, the section providing for a private cause of action for copyright infringement]." *Id.*, at 32-33.

In a 1964 panel discussion regarding the draft statute, Abe Goldman, the Copyright Office's General Counsel, left no doubt about the meaning of §44(a). It represented, he explained, a "shif[t]" from

the Copyright Office's 1961 report, which had recommended against using copyright law to facilitate publishers' efforts to segment international markets. Copyright Law Revision Part 4: Further Discussions and Comments on Preliminary Draft for Revised U. S. Copyright Law, 88th Cong., 2d Sess., 203 (H. R. Judiciary Comm. Print 1964). Section 44(a), Goldman stated, would allow copyright owners to bring infringement actions against importers of "foreign copies that were made under proper authority." *Ibid.* *See also id.*, at 205-206 (Goldman agreed with a speaker's comment that §44(a) "enlarge[d]" U. S. copyright law by extending import prohibitions "to works legally produced in Europe" and other foreign countries).[11]

The next step in the copyright revision process was the introduction in Congress of a draft bill on July 20, 1964. *See* Copyright Law Revision Part 5: 1964 Revision Bill with Discussions and Comments, 89th Cong., 1st Sess., III (H. R. Judiciary Comm. Print 1965). After another round of public comments, a revised bill was introduced on February 4,

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[11] As the Court observes, *ante*, at 29, Irwin Karp of the Authors League of America stated at the 1964 panel discussion that §44(a) ran counter to "the very basic concept of copyright law that, once you've sold a copy legally, you can't restrict its resale." Copyright Law Revision Part 4, at 212. When asked if he was "presenting...an argument against" §44(a), however, Karp responded that he was "neutral on th[e] provision." *Id.*, at 211. There is thus little reason to believe that any changes to the wording of §44(a) before its codification in §602(a) were made in response to Karp's discussion of "the problem of restricting [the] transfer of...lawfully obtained [foreign] copies." *Ibid.*

1965. *See* Copyright Law Revision Part 6: Supplementary Report of the Register of Copyrights on the General Revision of the U. S. Copyright Law: 1965 Revision Bill, 89th Cong., 1st Sess., V (H. R. Judiciary Comm. Print 1965) (hereinafter Copyright Law Revision Part 6). In language closely resembling the statutory text later enacted by Congress, §602(a) of the 1965 bill provided:

> "Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work for the purpose of distribution to the public is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501." *Id.*, at 292.[12]

The Court implies that the 1965 bill's "explici[t] refer[ence] to §106" showed a marked departure from §44(a) of the Copyright Office's prior draft. *Ante*, at 29. The Copyright Office, however, did not see it that way. In its summary of the 1965 bill's provisions, the Copyright Office observed that

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[12] There is but one difference between this language from the 1965 bill and the corresponding language in the current version of §602(a)(1): In the current version, the phrase "for the purpose of distribution to the public" is omitted and the phrase "that have been acquired outside the United States" appears in its stead. There are no material differences between the quoted language from the 1965 bill and the corresponding language contained in the 1964 bill. *See* Copyright Law Revision Part 6: Supplementary Report of the Register of Copyrights on the General Revision of the U. S. Copyright Law: 1965 Revision Bill, 89th Cong., 1st Sess., 292-293 (H. R. Judiciary Comm. Print 1965).

§602(a) of the 1965 bill, like §44(a) of the Copyright Office's prior draft, *see supra*, at 15-16, permitted copyright owners to bring infringement actions against unauthorized importers in cases "where the copyright owner had authorized the making of [the imported] copies in a foreign country for distribution only in that country." Copyright Law Revision Part 6, at 149-150. *See also id.*, at XXVI (Under §602(a) of the 1965 bill, "[a]n unauthorized importer could be enjoined and sued for damages both where the copies or phonorecords he was importing were 'piratical' (that is, where their making would have constituted an infringement if the U. S. copyright law could have been applied), and where their making was 'lawful.'").

The current text of §602(a)(1) was finally enacted into law in 1976. *See* Copyright Act of 1976, §602(a), 90 Stat. 2589-2590. The House and Senate Committee Reports on the 1976 Act demonstrate that Congress understood, as did the Copyright Office, just what that text meant. Both Reports state:

> "Section 602 [deals] with two separate situations: importation of 'piratical' articles (that is, copies or phonorecords made without any authorization of the copyright owner), and unauthorized importation of copies or phonorecords that were lawfully made. *The general approach of section 602 is to make unauthorized importation an act of infringement in both cases*, but to permit the Bureau of Customs to prohibit importation only of 'piratical' articles." S. Rep. No. 94-473, p. 151

(1975) (emphasis added). *See also* H. R. Rep. No. 94-1476, p. 169 (1976) (same).

In sum, the legislative history of the Copyright Act of 1976 is hardly "inconclusive." *Ante*, at 28. To the contrary, it confirms what the plain text of the Act conveys: Congress intended §602(a)(1) to provide copyright owners with a remedy against the unauthorized importation of foreign-made copies of their works, even if those copies were made and sold abroad with the copyright owner's authorization.[13]

IV

Unlike the Court's holding, my position is consistent with the stance the United States has taken in international-trade negotiations. This case bears on the highly contentious trade issue of interterritorial exhaustion. The issue arises because intellectual property law is territorial in nature, *see supra*, at 6, which means that creators of intellectual property "may hold a set of parallel" intellectual property rights under the laws of different nations. Chiappetta, The Desirability of Agreeing to Disagree: The WTO, TRIPS, International IPR Exhaustion and a Few Other Things, 21 Mich. J. Int'l L. 333, 340-341 (2000) (hereinafter Chiappetta). There is no international consensus on whether the sale in one country

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[13] The Court purports to find support for its position in the House and Senate Committee Reports on the 1976 Copyright Act. *Ante*, at 30-31. It fails to come up with anything in the Act's legislative history, however, showing that Congress understood the words "lawfully made under this title" in §109(a) to encompass foreign-made copies.

of a good incorporating protected intellectual property exhausts the intellectual property owner's right to control the distribution of that good elsewhere. Indeed, the members of the World Trade Organization, "agreeing to disagree,"[14] provided in Article 6 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Apr. 15, 1994, 33 I. L. M. 1197, 1200, that "nothing in this Agreement shall be used to address the issue of...exhaustion." *See* Chiappetta 346 (observing that exhaustion of intellectual property rights was "hotly debated" during the TRIPS negotiations and that Article 6 "reflects [the negotiators'] ultimate inability to agree" on a single international standard). Similar language appears in other treaties to which the United States is a party. *See* World Intellectual Property Organization (WIPO) Copyright Treaty, Art. 6(2), Dec. 20, 1996, S. Treaty Doc. No. 105-17, p. 7 ("Nothing in this Treaty shall affect the freedom of Contracting Parties to determine the conditions, if any, under which the exhaustion of the right [to control distribution of copies of a copyrighted work] applies after the first sale or other transfer of ownership of the original or a copy of the work with the authorization of the author."); WIPO Performances and Phonograms Treaty, Art. 8(2), Dec. 20, 1996, S. Treaty Doc. No. 105-17, p. 28 (containing language nearly identical to Article 6(2) of the WIPO Copyright Treaty).

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[14] Chiappetta, The Desirability of Agreeing to Disagree: The WTO, TRIPS, International IPR Exhaustion and a Few Other Things, 21 Mich. J. Int'l L. 333, 340 (2000) (hereinafter Chiappetta) (internal quotation marks omitted).

In the absence of agreement at the international level, each country has been left to choose for itself the exhaustion framework it will follow. One option is a national-exhaustion regime, under which a copyright owner's right to control distribution of a particular copy is exhausted only within the country in which the copy is sold. *See* Forsyth & Rothnie, Parallel Imports, in The Interface Between Intellectual Property Rights and Competition Policy 429, 430 (S. Anderman ed. 2007) (hereinafter Forsyth & Rothnie). Another option is a rule of international exhaustion, under which the authorized distribution of a particular copy anywhere in the world exhausts the copyright owner's distribution right everywhere with respect to that copy. *See ibid.* The European Union has adopted the intermediate approach of regional exhaustion, under which the sale of a copy anywhere within the European Economic Area exhausts the copyright owner's distribution right throughout that region. *See id.*, at 430, 445. Section 602(a)(1), in my view, ties the United States to a national-exhaustion framework. The Court's decision, in contrast, places the United States solidly in the international-exhaustion camp.

Strong arguments have been made both in favor of, and in opposition to, international exhaustion. *See* Chiappetta 360 ("[r]easonable people making valid points can, and do, reach conflicting conclusions" regarding the desirability of international exhaustion). International exhaustion subjects copyright-protected goods to competition from lower priced imports and, to that extent, benefits consumers. Correspondingly, copyright owners profit from a

national-exhaustion regime, which also enlarges the monetary incentive to create new copyrightable works. *See* Forsyth & Rothnie 432-437 (surveying arguments for and against international exhaustion).

Weighing the competing policy concerns, our Government reached the conclusion that widespread adoption of the international-exhaustion framework would be inconsistent with the long-term economic interests of the United States. *See* Brief for United States as *Amicus Curiae* in *Quality King*, O. T. 1997, No. 96-1470, pp. 22-26 (herein-after *Quality King* Brief).[15] Accordingly. the United States has steadfastly "taken the position in international trade negotiations that domestic copyright owners should...have the right to prevent the unauthorized

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[15] The Court states that my "reliance on the Solicitor General's position in *Quality King* is undermined by his agreement in that case with [the] reading of §109(a)" that the Court today adopts. *Ante*, at 33. The United States' principal concern in both *Quality King* and this case, however, has been to protect copyright owners' "right to prevent parallel imports." Brief for United States as *Amicus Curiae* in *Quality King*, O. T. 1997, No. 96-1470, p. 6 (hereinafter *Quality King* Brief). *See also* Brief for United States as *Amicus Curiae* 14 (arguing that Kirtsaeng's interpretation of §109(a), which the Court adopts, would "subver[t] Section 602(a)(1)'s ban on unauthorized importation"). In *Quality King*, the Solicitor General urged this Court to hold that §109(a)'s codification of the first sale doctrine does not limit the right to control importation set forth in §602(a). *Quality King* Brief 7-30. After *Quality King* rejected that contention, the United States reconsidered its position, and it now endorses the interpretation of the §109(a) phrase "lawfully made under this title" I would adopt. Brief for United States as *Amicus Curiae* 6-7, 13-14.

importation of copies of their work sold abroad." *Id.*, at 22. The United States has "advanced this position in multilateral trade negotiations," including the negotiations on the TRIPS Agreement. *Id.*, at 24. *See also* D. Gervais, The TRIPS Agreement: Drafting History and Analysis §2.63, p. 199 (3d ed. 2008). It has also taken a dim view of our trading partners' adoption of legislation incorporating elements of international exhaustion. *See* Clapperton & Corones, *Locking in Customers, Locking Out Competitors: Anti-Circumvention Laws in Australia and Their Potential Effect on Competition in High Technology Markets*, 30 Melbourne U. L. Rev. 657, 664 (2006) (United States expressed concern regarding international-exhaustion legislation in Australia); Montén, Comment, The Inconsistency Between Section 301 and TRIPS: Counterproductive With Respect to the Future of International Protection of Intellectual Property Rights? 9 Marq. Intellectual Property L. Rev. 387, 417-418 (2005) (same with respect to New Zealand and Taiwan).

Even if the text and history of the Copyright Act were ambiguous on the answer to the question this case presents—which they are not, *see* Parts II-III, *supra*[16]—I would resist a holding out of accord with

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[16] Congress hardly lacks capacity to provide for international exhaustion when that is its intent. Indeed, Congress has expressly provided for international exhaustion in the narrow context of semiconductor chips embodying protected "mask works." *See* 17 U. S. C. §§905(2), 906(b). *See also* 2 M. Nimmer & D. Nimmer, Copyright §8A.06[E], p. 8A-37 (2012) (hereinafter Nimmer) ("[T]he first sale doctrine under [§906(b)] expressly immunizes unauthorized importation.").

the firm position the United States has taken on exhaustion in international negotiations. *Quality King*, I acknowledge, discounted the Government's concerns about potential inconsistency with United States obligations under certain bilateral trade agreements. *See* 523 U. S., at 153-154. *See also Quality King* Brief 22-24 (listing the agreements). That decision, however, dealt only with copyright-protected products made in the United States. *See* 523 U. S., at 154 (GINSBURG, J., concurring). *Quality King* left open the question whether owners of U. S. copyrights could retain control over the importation of copies manufactured and sold abroad—a point the Court obscures, *see ante*, at 33 (arguing that *Quality King* "significantly eroded" the national-exhaustion principle that, in my view, §602(a)(1) embraces). The Court today answers that question with a resounding "no," and in doing so, it risks undermining the United States' credibility on the world stage. While the Government has urged our trading partners to refrain from adopting international-exhaustion regimes that could benefit consumers within their borders but would impact adversely on intellectual-property producers in the United States, the Court embraces an international-exhaustion rule that could benefit U. S. consumers but would likely disadvantage foreign holders of U. S. copyrights. This dissonance scarcely enhances the United States' "role as a trusted partner in multilateral endeavors." *Vimar Seguros y Reaseguros, S. A. v. M/V Sky Reefer*, 515 U. S. 528, 539 (1995).

V

I turn now to the Court's justifications for a decision difficult to reconcile with the Copyright Act's text and history.

A

The Court asserts that its holding "is consistent with antitrust laws that ordinarily forbid market divisions." *Ante*, at 32. *See also ante*, at 18 (again referring to anti-trust principles). Section 602(a)(1), however, read as I do and as the Government does, simply facilitates copyright owners' efforts to impose "vertical restraints" on distributors of copies of their works. *See* Forsyth & Rothnie 435 ("Parallel importation restrictions enable manufacturers and distributors to erect 'vertical restraints' in the market through exclusive distribution agreements."). *See generally Leegin Creative Leather Products, Inc. v. PSKS, Inc.*, 551 U. S. 877 (2007) (discussing vertical restraints). We have held that vertical restraints are not *per se* illegal under §1 of the Sherman Act, 15 U. S. C. §1, because such "restraints can have procompetitive effects." 551 U. S., at 881-882.[17]

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[17]Despite the Court's suggestion to the contrary, this case in no way implicates the *per se* antitrust prohibition against *horizontal* "'[a]greements between competitors to allocate territories to minimize competition.'" *Ante*, at 32 (quoting *Palmer v. BRG of Ga., Inc.*, 498 U. S. 46, 49 (1990) (*per curiam*)). Wiley is not requesting authority to enter into collusive agreements with other textbook publishers that would, for example, make Wiley the exclusive supplier of textbooks on particular subjects within particular geographic regions. Instead, Wiley asserts no more than the prerogative to impose *vertical* restraints on the distri-

B

The Court sees many "horribles" following from a holding that the §109(a) phrase "lawfully made under this title" does not encompass foreign-made copies. *Ante*, at 22 (internal quotation marks omitted). If §109(a) excluded foreign-made copies, the Court fears, then copyright owners could exercise perpetual control over the downstream distribution or public display of such copies. A ruling in Wiley's favor, the Court asserts, would shutter libraries, put used-book dealers out of business, cripple art museums, and prevent the resale of a wide range of consumer goods, from cars to calculators. *Ante*, at 19-22. *See also ante*, at 2-3 (KAGAN, J., concurring) (expressing concern about "imposing downstream liability on those who purchase and resell in the United States copies that happen to have been manufactured abroad"). Copyright law and precedent, however, erect barriers to the anticipated horribles.[18]

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bution of its own textbooks. *See* Hovenkamp, Post-Sale Restraints and Competitive Harm: The First Sale Doctrine in Perspective, 66 N. Y. U. Ann. Survey Am. L. 487, 488 (2011) ("vertical restraints" include "limits [on] the way a seller's own product can be distributed").

[18] As the Court observes, *ante*, at 32-33, the United States stated at oral argument that the types of "horribles" predicted in the Court's opinion would, if they came to pass, be "worse than the frustration of market segmentation" that will result from the Court's interpretation of §109(a). Tr. of Oral Arg. 51. The United States, however, recognized that this purported dilemma is a false one. As the United States explained, the Court's horribles can be avoided while still giving meaningful effect to §602(a)(1)'s ban on unauthorized importation. *Ibid.*

Recognizing that foreign-made copies fall outside the ambit of §109(a) would not mean they are forever free of the first sale doctrine. As earlier observed, *see supra*, at 2, the Court stated that doctrine initially in its 1908 *Bobbs-Merrill* decision. At that time, no statutory provision expressly codified the first sale doctrine. Instead, copy-right law merely provided that copyright owners had "the sole liberty of printing, reprinting, publishing, completing, copying, executing, finishing, and vending" their works. Copyright Act of 1891, §1, 26 Stat. 1107.

In *Bobbs-Merrill*, the Court addressed the scope of the statutory right to "ven[d]." In granting that right, the Court held, Congress did not intend to permit copyright owners "to fasten...a restriction upon the subsequent alienation of the subject-matter of copyright after the owner had parted with the title to one who had acquired full dominion over it and had given a satisfactory price for it." 210 U. S., at 349-350. "[O]ne who has sold a copyrighted article...without restriction," the Court explained, "has parted with all right to control the sale of it." *Id.*, at 350. Thus, "[t]he purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it." *Ibid.*

Under the logic of *Bobbs-Merrill*, the sale of a foreign-manufactured copy in the United States carried out with the copyright owner's authorization would exhaust the copyright owner's right to "vend" that copy. The copy could thenceforth be resold, lent out,

or otherwise redistributed without further authorization from the copyright owner. Although §106(3) uses the word "distribute" rather than "vend," there is no reason to think Congress intended the word "distribute" to bear a meaning different from the construction the Court gave to the word "vend" in *Bobbs-Merrill*. *See ibid.* (emphasizing that the question before the Court was "purely [one] of statutory construction").[19]

Thus, in accord with *Bobbs-Merrill*, the first authorized distribution of a foreign-made copy in the United States exhausts the copyright owner's distribution right under §106(3). After such an authorized distribution, a library may lend, or a used-book dealer may resell, the foreign-made copy without seeking the copyright owner's permission. *Cf. ante*, at 19-21.

For example, if Wiley, rather than Kirtsaeng, had imported into the United States and then sold the foreign-made textbooks at issue in this case, Wiley's §106(3) distribution right would have been exhausted under the rationale of *Bobbs-Merrill*. Purchasers of the textbooks would thus be free to dispose of the books as they wished without first gaining a license from Wiley.

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[19] It appears that the Copyright Act of 1976 omitted the word "vend" and introduced the word "distribute" to avoid the "redundan[cy]" present in pre-1976 law. Copyright Law Revision: Report of the Register of Copyrights on the General Revision of the U. S. Copyright Law, 87th Cong., 1st Sess., 21 (H. R. Judiciary Comm. Print 1961) (noting that the exclusive rights to "publish" and "vend" works under the Copyright Act of 1947, §1(a), 61 Stat. 652-653, were "redundant").

This line of reasoning, it must be acknowledged, significantly curtails the independent effect of §109(a). If, as I maintain, the term "distribute" in §106(3) incorporates the first sale doctrine by virtue of *Bobbs-Merrill*, then §109(a)'s codification of that doctrine adds little to the regulatory regime.[20] Section 109(a), however, does serve as a statutory bulwark against courts deviating from *Bobbs-Merrill* in a way that increases copyright owners' control over downstream distribution, and legislative history indicates that is precisely the role Congress in-tended

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[20] My position that *Bobbs-Merrill* lives on as a limiting construction of the §106(3) distribution right does not leave §109(a) with no work to do. There can be little doubt that the books at issue in *Bobbs-Merrill* were published and first sold in the United States. *See Bobbs-Merrill Co. v. Straus*, 139 F. 155, 157 (CC SDNY 1905) (the publisher claiming copyright infringement in *Bobbs-Merrill* was incorporated and had its principal office in Indiana). *See also* Copyright Act of 1891, §3, 26 Stat. 1107-1108 (generally prohibiting importation, even by the copyright owner, of foreign-manufactured copies of copyrighted books); 4 Patry §13:40, at 13-111 (under the Copyright Act of 1891, "copies of books by both foreign *and* U. S. authors had to be printed in the United States"). But *cf. ante*, at 18 (asserting, without acknowledging the 1891 Copyright Act's general prohibition against the importation of foreign-made copies of copyrighted books, that the Court is unable to find any "geographical distinctions...in *Bobbs-Merrill*"). Thus, exhaustion occurs under *Bobbs-Merrill* only when a copy is distributed within the United States with the copyright owner's permission, not when it is distributed abroad. But under §109(a), as interpreted in *Quality King*, any authorized distribution of a U. S.-made copy, even a distribution occurring in a foreign country, exhausts the copyright owner's distribution right under §106(3). *See* 523 U. S., at 145, n. 14. Section 109(a) therefore provides for exhaustion in a circumstance not reached by *Bobbs-Merrill*.

§109(a) to play. Congress first codified the first sale doctrine in §41 of the Copyright Act of 1909, 35 Stat. 1084.[21] It did so, the House Committee Report on the 1909 Act explains, "in order to make...clear that [Congress had] no intention [of] enlarg[ing] in any way the construction to be given to the word 'vend.'" H. R. Rep. No. 2222, 60th Cong., 2d Sess., 19 (1909). According to the Committee Report, §41 was "not intended to change [existing law] in any way." *Ibid.* The position I have stated and explained accords with this expression of congressional intent. In enacting §41 and its successors, I would hold, Congress did not "change...existing law," *ibid.*, by stripping the word "vend" (and thus its substitute "distribute") of the limiting construction imposed in *Bobbs-Merrill*.

In any event, the reading of the Copyright Act to which I subscribe honors Congress' aim in enacting §109(a) while the Court's reading of the Act severely diminishes §602(a)(1)'s role. *See supra*, at 10-12. My position in no way tugs against the principle underlying §109(a)—*i.e.*, that certain conduct by the copyright owner exhausts the owner's §106(3) distribution right. The Court, in contrast, fails to give meaningful effect to Congress' manifest intent in §602(a)(1) to grant copyright owners the right to con-

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[21]Section 41 of the 1909 Act provided: "[N]othing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained." 35 Stat. 1084. This language was repeated without material change in §27 of the Copyright Act of 1947, 61 Stat. 660. As noted above, *see supra*, at 2, 17 U. S. C. §109(a) sets out the current codification of the first sale doctrine.

trol the importation of foreign-made copies of their works.

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Other statutory prescriptions provide further protection against the absurd consequences imagined by the Court. For example, §602(a)(3)(C) permits "an organization operated for scholarly, educational, or religious purposes" to import, without the copyright owner's authorization, up to five foreign-made copies of a non-audiovisual work—notably, a book—for "library lending or archival purposes." But *cf. ante*, at 19-20 (suggesting that affirming the Second Circuit's decision might prevent libraries from lending foreign-made books).[22]

The Court also notes that *amici* representing art museums fear that a ruling in Wiley's favor would prevent museums from displaying works of art created abroad. *Ante*, at 22 (citing Brief for Association of Art Museum Directors et al.). These *amici* observe that a museum's right to display works of art often depends on 17 U. S. C. §109(c). *See* Brief for

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[22]A group of *amici* representing libraries expresses the concern that lower courts might interpret §602(a)(3)(C) as authorizing only the importing, but not the lending, of foreign-made copies of non-audiovisual works. *See* Brief for American Library Association et al. 20. The United States maintains, and I agree, however, that §602(a)(3)(C) "is fairly (and best) read as implicitly authorizing lending, in addition to importation, of all works other than audiovisual works." Brief for United States as *Amicus Curiae* 30, n. 6.

Association of Art Museum Directors et al. 11-13.[23] That provision addresses exhaustion of a copyright owner's exclusive right under §106(5) to publicly display the owner's work. Because §109(c), like §109(a), applies only to copies "lawfully made under this title," *amici* contend that a ruling in Wiley's favor would prevent museums from invoking §109(c) with respect to foreign-made works of art. *Id.*, at 11-13.[24]

Limiting §109(c) to U. S. made works, however, does not bar art museums from lawfully displaying works made in other countries. Museums can, of course, seek the copyright owner's permission to display a work. Furthermore, the sale of a work of art to a U. S. museum may carry with it an implied license to publicly display the work. *See* 2 Patry §5:131, at 5-280 ("[C]ourts have noted the potential availability of an implied nonexclusive licens[e] when the circumstances...demonstrate that the parties intended that the work would be used for a specific purpose."). Displaying a work of art as part of a museum exhibition might also qualify as a "fair use"

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[23]Title 17 U. S. C. §109(c) provides: "Notwithstanding the provisions of section 106(5), the owner of a particular copy lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to display that copy publicly, either directly or by the projection of no more than one image at a time, to viewers present at the place where the copy is located."

[24]The word "copy," as it appears in §109(c), applies to the original of a work of art because the Copyright Act defines the term "copies" to "includ[e] the material object...in which the work is first fixed." §101.

under 17 U. S. C. §107 *Cf. Bouchat v. Baltimore Ravens Ltd. Partnership*, 619 F. 3d 301, 313-316 (CA4 2010) (display of copyrighted logo in museum-like exhibition constituted "fair use").

The Court worries about the resale of foreign-made consumer goods "contain[ing] copyrightable software programs or packaging." *Ante*, at 21. For example, the Court observes that a car might be programmed with diverse forms of software, the copyrights to which might be owned by individuals or entities other than the manufacturer of the car. *Ibid.* Must a car owner, the Court asks, obtain permission from all of these various copyright owners before reselling her car? *Ibid.* Although this question strays far from the one presented in this case and briefed by the parties, principles of fair use and implied license (to the extent that express licenses do not exist) would likely permit the car to be resold without the copyright owners' authorization.[25]

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[25]Principles of fair use and implied license may also allow a U. S. tourist "who buys a copyrighted work of art, a poster, or...a bumper sticker" abroad to publicly "display it in America without the copyright owner's further authorization." *Ante*, at 15. (The tourist could lawfully bring the work of art, poster, or bumper sticker into the United States under 17 U. S. C. §602(a)(3)(B), which provides that §602(a)(1)'s importation ban does not apply to "importation...by any person arriving from outside the United States...with respect to copies...forming part of such person's personal baggage."). Furthermore, an individual clearly would not incur liability for infringement merely by displaying a foreign-made poster or other artwork in her home. *See* §106(5) (granting the owners of copyrights in "literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works" the exclusive right

Most telling in this regard, no court, it appears, has been called upon to answer any of the Court's "horribles" in an actual case. Three decades have passed since a federal court first published an opinion reading §109(a) as applicable exclusively to copies made in the United States. *See Columbia Broadcasting System, Inc. v. Scorpio Music Distributors, Inc.*, 569 F. Supp. 47, 49 (ED Pa. 1983), summarily aff'd, 738 F. 2d 424 (CA3 1984) (table). Yet Kirtsaeng and his supporting *amici* cite not a single case in which the owner of a consumer good authorized for sale in the United States has been sued for copyright infringement after reselling the item or giving it away as a gift or to charity. The absence of such lawsuits is unsurprising. Routinely suing one's customers is hardly a best business practice.[26] Manufacturers,

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"to display the copyrighted work *publicly*" (emphasis added)). *See also* §101 (a work is displayed "publicly" if it is displayed "at a place open to the public or at any place where a substantial number of persons *outside of a normal circle of a family and its social acquaintances* is gathered" (emphasis added)). *Cf.* 2 Nimmer §8.14[C][1], at 8-192.2(1) ("[A] performance limited to members of the family and invited guests is not a public performance." (footnote omitted)).

[26]Exerting extensive control over secondary markets may not always be in a manufacturer's best interest. Carmakers, for example, often trumpet the resale value of their vehicles. *See, e.g.*, Nolan, UD grad leads Cadillac marketing, Dayton Daily News, Apr. 2, 2009, p. A8 ("Cadillac plays up its warranty coverage and reliable resale value to prospective customers."). If the transaction costs of reselling vehicles were to rise, consumers' perception of a new car's value, and thus the price they are willing to pay for such a car, might fall—an outcome hardly favorable to automobile manufacturers.

moreover, may be hesitant to do business with software programmers taken to suing consumers. Manufacturers may also insist that software programmers agree to contract terms barring such lawsuits.

The Court provides a different explanation for the absence of the untoward consequences predicted in its opinion—namely, that lower court decisions regarding the scope of §109(a)'s first sale prescription have not been uniform. *Ante*, at 23. Uncertainty generated by these conflicting decisions, the Court notes, may have deterred some copyright owners from pressing infringement claims. *Ante*, at 23-24. But if, as the Court suggests, there are a multitude of copyright owners champing at the bit to bring lawsuits against libraries, art museums, and consumers in an effort to exercise perpetual control over the downstream distribution and public display of foreign-made copies, might one not expect that at least a handful of such lawsuits would have been filed over the past 30 years? The absence of such suits indicates that the "practical problems" hypothesized by the Court are greatly exaggerated. *Ante*, at 24.[27] They surely do not warrant disregarding

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[27]It should not be overlooked that the ability to prevent importation of foreign-made copies encourages copyright owners such as Wiley to offer copies of their works at reduced prices to consumers in less developed countries who might otherwise be unable to afford them. The Court's holding, however, prevents copyright owners from barring the importation of such low-priced copies into the United States, where they will compete with the higher priced editions copyright owners make available for sale in this country. To protect their profit margins in the U. S. market, copyright owners may raise prices in less developed countries or may withdraw from such markets alto-

Congress' intent, expressed in §602(a)(1), to grant copyright owners the authority to bar the importation of foreign-made copies of their works. *Cf. Hartford Underwriters Ins. Co. v. Union Planters Bank, N. A.*, 530 U. S. 1, 6 (2000) ("[W]hen the statute's language is plain, the sole function of the courts—at least where the disposition required by the text is not absurd—is to enforce it according to its terms." (internal quotation marks omitted)).

VI

To recapitulate, the objective of statutory interpretation is "to give effect to the intent of Congress." *American Trucking Assns.*, 310 U. S., at 542. Here, two congressional aims are evident. First, in enacting §602(a)(1), Congress intended to grant copyright owners permission to segment international markets by barring the importation of foreign-made copies into the United States. Second, as codification of the first sale doctrine underscores, Congress did not want the exclusive distribution right conferred in §106(3) to be boundless. Instead of harmonizing

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gether. *See* Brief for United States as *Amicus Curiae* 26; Brief for Text and Academic Authors Association as *Amicus Curiae* 12; Brief for Association of American Publishers as *Amicus Curiae* 37. *See also* Chiappetta 357-358 (a rule of national exhaustion "encourages entry and participation in developing markets at lower, locally more affordable prices by eliminating them as risky sources of cheaper parallel imports back into premium markets"). Such an outcome would disserve consumers—and especially students—in developing nations and would hardly advance the "American foreign policy goals" of supporting education and economic development in such countries. *Quality King* Brief 25-26.

these objectives, the Court subordinates the first entirely to the second. It is unsurprising that none of the three major treatises on U. S. copyright law embrace the Court's construction of §109(a). *See* 2 Nimmer §8.12[B][6][c], at 8-184.34 to 8-184.35; 2 Goldstein §7.6.1.2(a), at 7:141; 4 Patry §§13:22, 13:44, 13:44.10.

Rather than adopting the very international-exhaustion rule the United States has consistently resisted in international-trade negotiations, I would adhere to the national-exhaustion framework set by the Copyright Act's text and history. Under that regime, codified in §602(a)(1), Kirtsaeng's unauthorized importation of the foreign-made textbooks involved in this case infringed Wiley's copyrights. I would therefore affirm the Second Circuit's judgment.

APPENDIX E

IN THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

No. 09-4896

August Term, 2010

(Argued: May 19, 2010 Decided: August 15, 2011)

JOHN WILEY & SONS, INC.,

Plaintiff-Appellee

v.

SUPAP KIRTSAENG, doing business as BLUE-CHRISTINE99,

Defendant-Appellant

Before CABRANES and KATZMANN, *Circuit Judges*, and MURTHA, *District Judge*.[1]

Appeal from a judgment of the United States District Court for the Southern District of New York (Donald C. Pogue, Judge of the United States Court

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[1] The Honorable J. Garvan Murtha, of the United States District Court for the District of Vermont, sitting by designation.

of International Trade, sitting by designation), following a jury trial, awarding statutory damages to plaintiff publisher for copyright infringement. Defendant claims on appeal that the District Court denied him a defense under the "first sale doctrine," 17 U.S.C. § 109(a), and erred in evidentiary rulings which, he alleges, led to the award of unduly high damages. In a case of first impression in our Court, we hold (1) that the first sale doctrine, which allows a person who buys a legally produced copyrighted work to sell or otherwise dispose of the work as he sees fit, does not apply to works manufactured outside of the United States, and (2) that the District Court did not err in its evidentiary rulings.

Affirmed.

Judge Murtha dissents in a separate opinion.

William Dunnegan (Laura Scileppi, *on the brief*), Dunnegan LLC, New York, NY, *for plaintiff-appellee*,

SAM P. ISRAEL, New York, NY, *for defendant-appellant*,

John T. Mitchell, Interaction Law, Washington, DC, *for amici curiae Entertainment Merchants Association and National Association of Recording Merchandisers*,

Norman H. Levin (Aaron J. Moss, *on the brief*), Greenberg Glusker Fields Claman & Machtinger LLP, Los Angeles, CA, *for amicus curiae Costco Wholesale Corporation*,

Charles A. Weiss, Kenyon & Kenyon LLP, (Mark A. Abate, Goodwin Proctor LLP, *on the brief*), New York, NY, for *amicus curiae New York Intellectual Property Law Association. in support of plaintiff-appellee.*

JOSÉ A. CABRANES, *Circuit Judge*:

The "first sale doctrine" in copyright law permits the owner of a lawfully purchased copyrighted work to resell it without limitations imposed by the copyright holder.[2] The existence of the doctrine dates to 1908, when the Supreme Court held that the owner of a copyright could not impose price controls on sales of a copyrighted work beyond the initial sale.[3] Congress codified the doctrine in successive Copyright Acts, beginning with the Copyright Act of 1909.[4]

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[2] The first sale doctrine is codified at 17 U.S.C. § 109(a) which reads, in relevant part:

> Notwithstanding the provisions of section 106(3) [of the Copyright Act], the owner of a particular copy lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy.

17 U.S.C. § 109(a).

[3] *See Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350 (1908).

[4] *See* Copyright Act of 1909, ch. 320, § 41, 35 Stat. 1075, 1084 (1909); Copyright Act of 1947, ch. 391, § 27, 61 Stat. 652, 660 (1947); Copyright Act of 1976, ch. 1, § 109, 90 Stat. 2541, 2548 (codified at 17 U.S.C. § 109(a)) (1976).

The principal question presented in this appeal is whether the first sale doctrine, 17 U.S.C. § 109(a), applies to copyrighted works produced outside of the United States but imported and resold in the United States. Under another basic copyright statute, it is ordinarily the case that "[i]mportation into the United States, without the authority of the owner of copyright under [the Copyright Act], of copies of a work that have been acquired outside the United States is an infringement of the [owner's] exclusive right to distribute copies."[5]

Defendant contends, however, that individuals may import and resell books manufactured abroad pursuant to 17 U.S.C. § 109(a), which provides that "the owner of a particular copy lawfully made under [the Copyright Act], or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy."

Defendant's claim is an issue of first impression in our Court.[6]

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[5] 17 U.S.C. § 602(a)(1).

[6] District courts within our Circuit have addressed this issue. *See Pearson Educ., Inc. v. Liu*, 656 F Supp. 2d 407, 416 (S.D.N.Y. 2009) (Holwell, *J.*) (holding "dubitante" that § 109 (a) does not apply to foreign manufactured goods imported into the United States); *Pearson Educ., Inc. v. Liao*, No. 07-Civ-2423 (SHS), 2008 WL 2073491, at *3-4 (S.D.N.Y. May 13, 2008) (Stein, *J.*) (holding that § 109(a) does not apply to foreign manufactured goods imported into the United States). In addition, the Ninth Circuit recently held that § 109(a) does not apply to foreign-manufactured goods unless they were previously im-

BACKGROUND

A. The Parties

Plaintiff-appellee John Wiley & Sons, Inc. ("plaintiff" or "Wiley") is the publisher of academic, scientific, and educational journals and books, including textbooks, for sale in domestic and international markets. Wiley relies upon a wholly-owned subsidiary, John Wiley & Sons (Asia) Pte Ltd. ("Wiley Asia"), to manufacture books for sale in foreign countries.[7] While the written content of books for the domestic and international markets is often similar or identical, books intended for international markets can differ from the domestic version in design, supplemental content (such as accompanying CD-ROMS), and the type and quality of materials used for printing, including "thinner paper and different bindings, different cover and jacket designs, fewer internal ink colors, if any, [and] lower quality photographs and graphics." Joint App'x at 18. The foreign editions, moreover, are marked with a legend to designate that they are to be sold only in a particular

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ported and sold in the United States with the copyright holder's permission. *See Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008), *aff'd by an evenly divided Court, Costco Wholesale Corp. v. Omega*, S.A., 131 S. Ct. 565 (2010).

[7] As a standard practice, Wiley obtains from its authors the assignment of U.S. and foreign copyrights of reproduction and distribution. The assignment of these copyrights allows Wiley to produce and distribute its works in both domestic and foreign markets.

country or geographic region. One example of such a designation reads as follows:

> **Authorized for sale in Europe, Asia, Africa and the Middle East Only**. This book is authorized for sale in Europe, Asia, Africa and the Middle East only [and] may not be exported. Exportation from or importation of this book to another region without the Publisher's authorization is illegal and is a violation of the Publisher's rights. The Publisher may take legal action to enforce its rights. The Publisher may recover damages and costs, including but not limited to lost profits and attorney's fees, in the event legal action is required.

Joint App'x at 406 (emphasis in original).

Defendant Supap Kirtsaeng ("defendant" or "Kirtsaeng") moved to the United States from Thailand in 1997 to pursue an undergraduate degree in mathematics at Cornell University. According to Kirtsaeng, he later moved to California to pursue a doctoral degree.

B. The Instant Action

To help subsidize the cost of his education, Kirtsaeng allegedly participated in the following scheme: between 2007 and September 8, 2008, Kirtsaeng's friends and family shipped him foreign edition textbooks printed abroad by Wiley Asia. In turn, Kirtsaeng sold these textbooks on commercial websites such as eBay.com. Using the revenues generated from the sales, Kirtsaeng would reimburse

his family and friends for the costs that they incurred during the process of acquiring and shipping the books and then keep any remaining profits for himself. Kirtsaeng claims that, before selling the textbooks, he sought advice from friends in Thailand and consulted "Google Answers," a website which allowed web users to seek research help from other web users, to ensure that he could legally resell the foreign editions in the United States.

On September 8, 2008, Wiley filed this action against Kirtsaeng in the United States District Court for the Southern District of New York (Donald C. Pogue, Judge of the United States Court of International Trade, sitting by designation), claiming, among other things, copyright infringement under 17 U.S.C. § 501,[8] trademark infringement under 15

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[8] 17 U.S.C. § 501(a) provides, in relevant part:

> Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122 [of the Copyright Act] or of the author as provided in section 106A(a), or who imports copies...into the United States in violation of section 602, is an infringer of the copyright or right of the author, as the case may be.

17 U.S.C. § 501(a).

Wiley holds registered United States copyrights for the American editions of the works at issue in this case. Although the foreign editions probably would not be protected by United States copyright law if infringement occurred abroad, see Robert Stigwood Grp. Ltd. v. O'Reilly, 530 F.2d 1096 (2d Cir. 1976), the sale of the foreign editions in the United States allegedly

U.S.C. § 1114(a), and unfair competition under New York state law.[9] Wiley sought a preliminary and permanent injunction under 17 U.S.C. § 502(a),[10] and statutory damages under 17 U.S.C. § 504(c).[11]

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infringes the U.S. copyrights held by Wiley on its American editions.

[9] Wiley later abandoned its trademark and unfair competition claims.

[10] 17 U.S.C. § 502(a) provides, in relevant part:

> Any court having jurisdiction of a civil action arising under this title may, subject to the provisions of section 1498 of title 28, grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright.

17 U.S.C. § 502(a).

[11] 17 U.S.C. § 504(c)(1)-(2) provides, in relevant part:

> Except as provided by clause (2) of this subsection, the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than $750 or more than $30,000 as the court considers just.
>
> In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than $150,000.

17 U.S.C. § 504(c).

C. Relevant Pre-Trial Proceedings

In anticipation of trial, Kirtsaeng submitted proposed jury instructions charging that the first sale doctrine was a defense to copyright infringement. By Order dated October 9, 2009, the District Court prohibited Kirtsaeng from raising this defense and rejected the applicability of the first sale doctrine to foreign editions of textbooks, holding that "[t]here is no indication that the imported books at issue here were manufactured pursuant to the U.S. Copyright Act [and,] [t]o the contrary, the textbooks introduced as evidence purport, on their face, to have been published outside of the United States."[12]

On October 23, 2009 and November 3, 2009, Kirtsaeng filed motions *in limine* to preclude the introduction at trial of (1) his online "PayPal" sales records, and specifically, evidence of his gross revenues from the sales of the foreign editions of Wiley's books, and (2) the profits he earned on unrelated sales activities. From the bench during a pre-trial conference on November 3, 2009, the District Court granted the motions in part and denied them in part. The Court explained that Wiley could not introduce

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We have recently observed that "the total number of awards of statutory damages that a plaintiff may recover in any given action depends on the number of works that are infringed...regardless of the number of infringements of those works." *WB Music Corp. v. RTV Commc'n Grp., Inc.*, 445 F.3d 538, 540 (2d Cir. 2006) (internal quotation marks omitted).

[12] *See John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08 Civ. 7834, 2009 WL 3364037, at *9 (S.D.N.Y. Oct. 19, 2009) (DCP).

evidence of profits earned by Kirtsaeng from the sales of textbooks produced by other publishers, but "in anticipation that the net worth testimony [would indicate] that [Kirtsaeng did not have] significant net worth [Wiley's counsel had the] right to inquire about additional revenues and the profits therefrom and where they went in order to make sure that we had an accurate record about [Kirtsaeng's] net worth." Joint App'x at 195. The Court further stated that Wiley's counsel "must be careful not to refer to these [unrelated] sales in any way as infringing sales, because that would be entirely improper." *Id.*

D. Events at Trial

At trial, during direct examination, Wiley's counsel asked Kirtsaeng, "Now sir, if we were to go back and look at January 1st of 2008, what were your financial assets at that point in time?"

The District Court sustained an objection by Kirtsaeng's counsel and a sidebar discussion followed.

After the sidebar conference and a recess, the first question by Wiley's counsel to Kirtsaeng was: "Mr. Kirtsaeng, before the break we were talking about your net worth during the period of 1999, correct? Excuse me. 2009." Kirtsaeng answered "yes." Wiley's counsel proceeded to ask Kirtsaeng a series of questions about his "net worth" in an attempt to impeach his previous statements. Specifically, he attempted to enter into evidence a record of Kirtsaeng's PayPal revenues, showing $1.2 million

in revenues, in contrast to Kirtsaeng's previous testimony that he had earned only $900,000 in revenues. Joint App'x at 295-97

At a second sidebar conference, during which the jury was excused from the courtroom, the District Court excluded the record of the PayPal evidence as "confusing and unfairly prejudicial." Id. at 298.

When the jury reentered the courtroom, Wiley's counsel continued to ask Kirtsaeng about his revenues from eBay sales. Although Kirtsaeng's counsel immediately objected to the line of questioning on the basis that it had already been "asked and answered"—an objection the District Court initially sustained—the Court subsequently allowed the questioning, explaining that it was uncertain whether the same questions had in fact been asked of the witness earlier in the examination.

At the end of the trial, the District Court charged the jury to determine whether Kirtsaeng had infringed the copyrights of each of eight works and whether any such infringements had been willful. The District Court explained that, under the statutory damages scheme found at 17 U.S.C. § 504(c), see note 10, ante, if the jury found that Kirtsaeng had infringed Wiley's copyright, it could award no less than $750 and no more than $30,000 in damages for each infringed work.

The District Court identified two exceptions to this rule. First, the District Court instructed the jury that, if it found that Wiley had proved by a preponderance of the evidence that the infringement

was willful, under the statutory scheme the jury had the option of awarding up to $150,000 in damages per infringed work. Second, if the jury found that Kirtsaeng had proved by a preponderance of the evidence "that he was not aware and had no reason to believe that his acts constituted an infringement of copyright," the jury could choose to impose an award of statutory damages as low as $200 per infringed work. The jury ultimately found Kirtsaeng liable for willful copyright infringement of all eight works and imposed damages of $75,000 for each of the eight works.

Kirtsaeng filed a timely notice of appeal. He claims that (1) the District Court erred in holding that the first sale doctrine was not an available defense in the circumstances presented; (2) the District Court should have advised the jury of the first sale doctrine as a defense to the claim of willful infringement; and (3) with respect to the jury's assessment of statutory damages, the admission into evidence of testimony regarding the amount of Kirtsaeng's gross receipts was unduly prejudicial.

DISCUSSION

A. The first sale doctrine does not apply to goods produced outside of the United States.

(1) Standard of review

The threshold question is whether, pursuant to § 109(a) of the Copyright Act, see note 1, ante, the District Court correctly determined that the phrase

"lawfully made under this title" does not include copyrighted goods manufactured abroad.

Where the decision of a district court "presents only a legal issue of statutory interpretation [w]e review de novo whether the district court correctly interpreted the statute."[13]

(2) Interpreting the First-Sale Doctrine

In the Copyright Act of 1976, Congress enacted what is now 17 U.S.C. § 602(a)(1).[14] That section provides:

> Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501.

Even if the conduct at issue in this case is otherwise covered by this statutory language, Kirtsaeng contends that he is shielded from any liability under the Copyright Act by § 109(a), *see* note 1, *ante*. Again, in relevant part, that section provides: "Not-

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[13] *Perry v. Dowling*, 95 F.3d 231, 235 (2d Cir. 1996) (citing *White v. Shalala*, 7 F.3d 296, 299 (2d Cir. 1993)).

[14] In 2008, Congress amended the statute, resulting in the redesignation of what had been § 602(a) as § 602(a)(1). Act of October 13, 2008, Pub. L. 110-403, Title I, § 105(b)-(c)(1), 122 Stat. 4259.

withstanding the provisions of section 106(3) [of the Copyright Act], the owner of a particular copy lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy." Section 109(a) is a codification of the longstanding "first sale doctrine."[15]

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[15] The first sale doctrine was first endorsed by the Supreme Court in the landmark 1908 case of *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350-51 (1908). In that case, the publishers of *The Castaway*, a popular novel, inserted the following notice after the title page of the book: "The price of this book at retail is $1 net. No dealer is licensed to sell it at a less [sic] price, and a sale at a less [sic] price will be treated as an infringement of the copyright." *Id.* at 341. The publishers subsequently sued a department store that had purchased copies of the books at wholesale and sold them each at retail for eighty-nine cents. The Supreme Court held:

> The purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new addition of it.
>
> In our view the copyright statutes, while protecting the owner of the copyright in his right to multiply and sell his production, do not create the right to impose, by notice, such as is disclosed in this case, a limitation at which the book shall be sold at retail by future purchasers, with whom there is no privity of contract.

Id. at 350.

The Supreme Court made clear that the matter before it "was purely a question of statutory construction." *Id.* The relevant statute provided that copyright owners had "the sole liberty of

There is at least some tension between § 602(a)(1), which seemingly seeks to give copyright holders broad control over the circumstances in which their copyrighted material may be imported (directly or indirectly) into the United States, and § 109(a), which limits the extent to which the copyright holder may limit distribution following an initial sale. The Supreme Court first had occasion to address the interplay between § 602(a)(1) and § 109(a) in *Quality King Distributors, Inc. v. L'anza Research International, Inc.*[16]

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printing, reprinting, publishing, completing, copying, executing, finishing, and *vending*" their copyrighted works. Copyright Act of 1891, § 4952, 26 Stat. 1107 (emphasis added). Congress promptly codified the holding in *Bobbs-Merrill*—which became known as the first sale doctrine—in the 1909 Copyright Act. Copyright Act of 1909, ch. 320, § 41, 35 Stat. 1075, 1084 (1909) ("[N]othing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained.").

The current version of the first sale doctrine—as codified in § 109(a)—differs in two noticeable respects from the version Congress first passed in 1909. First, under current copyright law, the exclusive right to "vend" granted to copyright holders has been replaced by the exclusive right to "distribute." See § 106(3). However, the Supreme Court has indicated that, at least for purposes of the first sale doctrine, nothing of consequence turns on this alteration. *See Quality King*, 523 U.S. 135, 152 (1998). The second change is that the first sale doctrine no longer applies to "any copy of a copyrighted work," but rather, only to any copy "lawfully made under this title."

[16] 523 U.S. 135 (1998).

Quality King involved the sales practices of L'anza Research International, a California corporation engaged in the business of manufacturing and selling shampoos, conditioners, and other hair care products. L'anza sold its products domestically and internationally, but its prices to foreign distributors were 35% to 40% lower than the prices charged to its domestic distributors. L'anza brought suit against Quality King Distributors, Inc., which had purchased shipments of L'anza's products from one of L'anza's foreign distributors and then re-imported the products into the United States for re-sale. L'anza alleged that Quality King's actions violated its "exclusive rights under 17 U.S.C. §§ 106, 501 and 602 to reproduce and distribute the copyrighted material in the United States."[17] The Supreme Court heard the case in order to decide the question of "whether the 'first sale' doctrine endorsed in § 109(a) is applicable to imported copies."[18]

In a unanimous opinion, the Supreme Court held that § 109(a), operating in combination with § 106(3), does in fact limit the scope of § 602(a).[19] However, there was a key factual difference at work in Quality King that is of critical importance to our disposition of the instant appeal. In Quality King, the copyrighted items in question had all been manufactured in the United States. Indeed, this im-

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[17] *Id.* at 140 (quotation marks omitted).

[18] *Id.* at 138.

[19] *Id.* at 145.

portant fact provided the basis for Justice Ginsburg's brief concurring opinion, in which she explained: "This case involves a 'round trip' journey, travel of the copies in question from the United States to places abroad, then back again. I join the Court's opinion recognizing that we do not today resolve cases in which the allegedly infringing imports were manufactured abroad."[20]

Although the majority opinion did not directly address the question of whether § 109(a) can apply to items manufactured abroad, the opinion contains instructive dicta that guides our disposition of the issue. In particular, the Court took pains to explain ways in which § 109(a) and § 602(a) do, and do not, overlap. As the Court stated: "[A]lthough both the first sale doctrine embodied in § 109(a) and the exceptions in § 602(a) may be applicable in some situations, the former does not subsume the latter; those provisions retain significant independent meaning."[21] For instance, § 602(a) "encompasses copies that are not subject to the first sale doctrine—e.g., copies that are lawfully made under the law of another country[.]"[22] The Court even pondered the following hypothetical:

> If the author of [a] work gave the exclusive United States distribution rights— enforceable under

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[20] *Id.* at 154 (Ginsburg, J., concurring).

[21] *Id.* at 148-49 (majority opinion).

[22] *Id.* at 148.

> the Act—to the publisher of the United States edition and the exclusive British distribution rights to the publisher of the British edition, presumably only those made by the publisher of the U.S. edition would be 'lawfully made under this title' within the meaning of § 109(a). The first sale doctrine would not provide the publisher of the British edition who decided to sell in the American market with a defense to an action under § 602(a) (or, for that matter, to an action under § 106(3), if there was a distribution of the copies).[23]

In these passages, the Court suggests that copyrighted material manufactured abroad cannot be subject to the first sale doctrine contained in § 109(a).

The Supreme Court recently seemed poised to transform this dicta into holding when it granted a writ of *certiorari* to review the Ninth Circuit's decision in *Omega S.A. v. Costco Wholesale Corp.*[24] That case involved the importation into the United States of Omega-brand watches by unidentified third parties without the permission of Omega; the watches were ultimately purchased and resold by Costco Wholesale Corporation. The Ninth Circuit maintained its well-settled position that § 109(a) does not apply to items manufactured outside of the United States unless they were previously imported and

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[23] *Id.*

[24] 541 F.3d 982 (9th Cir. 2008).

sold in the United States with the copyright holder's permission.[25] After hearing oral argument, an equally divided Supreme Court (with Justice Kagan recused) was obliged to affirm the judgment rendered by the Ninth Circuit.[26]

Without further guidance from the Supreme Court, we now consider the extent to which the protections set forth in § 109(a) may apply to items manufactured abroad. In doing so, we rely on the text of § 109(a), the structure of the Copyright Act, and the Supreme Court's opinion in *Quality King*.

(3) Textual Analysis

We start, of course, by turning to the statutory language enacted by Congress. "Statutory interpretation always begins with the plain language of the statute, assuming the statute is unambiguous."[27] In the instant case, we are principally called upon to give meaning to the phrase "lawfully made under this title" contained in § 109(a).[28]

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[25] *Id.* at 990.

[26] *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010).

[27] *Universal Church v. Geltzer*, 463 F.3d 218, 223 (2d Cir. 2006).

[28] Again, § 109(a), in relevant part, provides:

> Notwithstanding the provisions of section 106(3) [of the Copyright Act], the owner of a particular copy...lawfully made under this title, or any person authorized by such owner, is entitled, without the au-

In arriving at a satisfactory textual interpretation of the statutory language at issue, we focus primarily on the words "made" and "under," but this task is complicated by two factors: (1) the word "made" is not a term of art in the Copyright Act,[29] and (2) "[t]he word 'under' is [a] chameleon" and courts "must draw its meaning from its context."[30] Wiley contends that we must interpret "lawfully made under this title" to mean "lawfully made in the United States." This view of the law—which was also adopted by the United States in its *amicus* brief before the Supreme Court in *Costco*[31]—is certainly consistent with the text of § 109(a).[32] It is also the logical consequence, Wiley submits, of the general presumption against the extraterritorial application of statutes,[33] a presumption which we have specifically

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thority of the copyright owner, to sell or otherwise dispose of the possession of that copy

[29] A simple and authoritative dictionary definition of "made" is "artificially produced by a manufacturing process." *Webster's Third New International Dictionary* 1356 (1976).

[30] *Kucana v. Holder*, 130 S. Ct. 827, 835 (2010).

[31] Brief for the United States as *Amici Curiae* in Support of Respondent, at 5, *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010) (No. 08-1423).

[32] The Supreme Court has previously defined "under" to mean "subject to" and "governed by." *Ardestani v. INS*, 502 U.S. 129, 135 (1991) (defining the meaning of the word "under" in the Equal Access to Justice Act).

[33] *See Morrison v. Nat'l Austl. Bank Ltd.*, 130 S. Ct. 2869, 2877 (2010) ("It is a longstanding principle of American law that legislation of Congress, unless a contrary intent appears, is meant

applied to the copyright laws.[34] Wiley argues that Title 17 only applies in the United States, and thus, copyrighted items can only be "made" under that title if they were physically made in this country.

But the extraterritorial application of Title 17 is more complicated than Wiley allows, since certain provisions in Title 17 explicitly take account of activity occurring abroad. Most notably, § 104(b)(2) provides that "[t]he works specified by sections 102 and 103, when published, are subject to protection under this title if the work is first published in the United States or in a foreign nation that, on the date of first publication, is a treaty party[.]"[35] Indeed, because § 104(b)(2) provides that copyright protection can apply to works published in foreign nations, it is possible to interpret § 109(a)'s "lawfully made under this title" language to mean, in effect, "any work that is subject to protection under this title."

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to apply only within the territorial jurisdiction of the United States." (quotation marks omitted)).

[34] *See, e.g., Update Art, Inc. v. Modiin Pub., Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988) ("It is well established that copyright laws generally do not have extraterritorial application.").

[35] 17 U.S.C. § 104(b)(2) (emphasis added). *Quality King* also explained how certain provisions of Title 17 might apply to activity occurring abroad. 523 U.S. at 145 n.14 ("[T]he owner of goods lawfully made under the Act is entitled to the protection of the first sale doctrine in an action in a United States court even if the first sale occurred abroad. Such protection does not require the extraterritorial application of the Act any more than § 602(a)'s 'acquired abroad' language does."

There are other reasons why a textual analysis alone is not sufficient to support Wiley's preferred reading of § 109(a). Most obviously, if Congress had intended the first sale doctrine—at least as codified by § 109(a)—to apply only to works made in the United States, it could have easily written the statute to say precisely that.[36] Moreover, "lawfully made under this title" appears in other provisions of Title 17 where it is at least arguable that Congress intended this language to apply to works manufactured outside of the United States. For instance, § 1006(a)(1) of the Audio Home Recording Act provides for applicable royalty payments to be made to "any interested copyright party whose musical work or sound recording has been embodied in a digital musical recording or an analog musical recording lawfully made under this title that has been distributed."[37] It is the view of the U.S. Copyright Office that distribution of royalty payments under this Act is

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[36] At oral argument before the Supreme Court in Costco, the United States tried to argue that its interpretation of § 109(a) (which, again, is also Wiley's) is not perfectly interchangeable with "lawfully made in the United States," "because at least in theory, it would be possible for the creation of a copy to entail a violation of environmental laws, workplace safety laws, minimum wage laws, et cetera." Transcript of Oral Argument at 38, *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010) (No. 08-1423). This argument, while clever, is unpersuasive.

[37] 17 U.S.C. § 1006(a)(1)(A).

not limited to those recordings manufactured in the United States.[38]

But while a textual reading of § 109(a) does not compel the result favored by Wiley, it does not foreclose it either. The relevant text is simply unclear. "[L]awfully made under this title" could plausibly be interpreted to mean any number of things, including: (1) "manufactured in the United States," (2) "any work made that is subject to protection under this title," or (3) "lawfully made under this title had this title been applicable."[39]

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[38] *See Digital Audio Recording Technology (DART) Factsheet on Filing Claims for Royalty Distribution*, U.S. Copyright Office, http://www.copyright.gov/carp/dartfact.html (last visited June 23, 2011).

[39] Kirtsaeng would prevail if we adopted either of the latter two definitions, but these definitions, like Wiley's, are at best merely consistent with a textual reading of § 109(a). To further complicate the matter, both of these possible formulations are explicitly employed elsewhere in Title 17. See 17 U.S.C. § 401 ("Whenever a *work protected under this title* is published in the United States or elsewhere by authority of the copyright owner, a notice of copyright as provided by this section may be placed on publicly distributed copies from which the work can be visually perceived. " (emphasis added)); 17 U.S.C. § 602(b) ("In a case where the making of the copies and phonorecords would have constituted an infringement of copyright *if this title had been applicable*, their importation is prohibited." (emphasis added)). Once again, if Congress had intended § 109(a) to reflect either one of those formulations, it could have employed their language with precision.

(4) Section 602(a)(1) and Quality King

Confronted with an utterly ambiguous text, we think it best to adopt an interpretation of § 109(a) that best comports with both § 602(a)(1) and the Supreme Court's opinion in Quality King.[40]

Section 602(a)(1) prohibits the importation into the United States of copyrighted works acquired abroad without the authorization of the copyright holder. This provision is obviously intended to allow copyright holders some flexibility to divide or treat differently the international and domestic markets for the particular copyrighted item. If the first sale doctrine codified in § 109(a) only applies to copyrighted copies manufactured domestically, copyright holders would still have a free hand—subject, of course, to other relevant exceptions enumerated in Title 17, such as those in §§ 107, 108, and 602(a)(3)—to control the circumstances in which copies manufactured abroad could be legally imported into the United States. On the other hand, the mandate of § 602(a)(1)—that "[i]mportation into the United States, without the authority of the owner of copyright under [the Copyright Act], of copies of a work that have been acquired outside the United States is an infringement of the [owner's] exclusive right to distribute copies"—would have no force in the vast majority of cases if the first sale doctrine

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[40] *See David v. Mich. Dep't of Treasury*, 489 U.S. 803, 809 (1989) ("It is a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme.").

was interpreted to apply to every work manufactured abroad that was either made "subject to protection under Title 17," or "consistent with the requirements of Title 17 had Title 17 been applicable."[41] This reading of the Copyright Act militates in favor of finding that § 109(a) only applies to domestically manufactured works. While the Ninth Circuit in Omega held that §109(a) also applies to foreign-produced works sold in the United States with the permission of the copyright holder, that holding relied on Ninth Circuit precedents not adopted by other courts of appeals. Accordingly, while perhaps a close call, we think that, in light of its necessary interplay with § 602(a)(1), § 109(a) is best interpreted as applying only to works manufactured domestically.

In adopting this view, we are comforted by the fact that our interpretation of § 109(a) is one that the Justices appear to have had in mind when deciding Quality King. There, the Court reasoned, admittedly in dicta, that § 602(a)(1) had a broader scope than §

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[41] Under Kirtsaeng's definition, § 602(a)(1) would only permit U.S. copyright holders to control the importation of their works into the United States when (i) the individual importing the work does not legally "own" the copy in question, or (ii) the work in question was produced in a country where United States copyright is not protected. While these remaining categories would ensure that § 602(a)(1) would not be rendered useless, copyright holders would have little control over the importation of their works under Kirtsaeng's theory. Specifically, in order to exclude certain copies from entering the United States, copyright holders would be required either to (i) not sell their goods, or (ii) produce them in countries that may not honor their copyright in the first place.

109(a) because, at least in part, § 602(a)(1) "applies to a category of copies that are neither piratical nor 'lawfully made under this title.' That category encompasses copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country."[42] This last sentence indicates that, in the Court's view, works "lawfully made" under the laws of a foreign country—though perhaps not produced in violation of any United States laws—are not necessarily "lawfully made" insofar as that phrase is used in § 109(a) of our Copyright Act.[43]

Applying these principles to the facts of this case, we conclude that the District Court correctly decided that Kirtsaeng could not avail himself of the first sale doctrine codified by § 109(a) since all the books in question were manufactured outside of the United States.[44] In sum, we hold that the phrase "lawfully

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[42] 523 U.S. at 147.

[43] This interpretation seems to be confirmed by language later in the opinion explaining that § 602(a) has a broader scope than § 109(a) "because it encompasses copies that are not subject to the first sale doctrine—*e.g.*, copies that are lawfully made under the law of another country[.]" *Id.* at 148.

[44] We do note, however, that while all the books in question were printed abroad, they all bore American copyright notices. The same was true of the watches at issue in *Costco*. *See Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 983 (9th Cir. 2008). One difference between the two cases is that at least two of the foreign editions at issue in the instant case contain explicit warnings invoking Title 17. For example, the back cover of *Fundamentals of Heat and Mass Transfer* (Sixth Edition) states: No part of this publication may be reproduced,

made under this Title" in § 109(a) refers specifically and exclusively to works that are made in territories in which the Copyright Act is law, and not to foreign-manufactured works.[45]

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stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act. " Joint App'x at 387. Since this book was "[p]rinted in Asia," and prohibited from ever being imported into the United States, we are admittedly somewhat puzzled as to why Title 17 is invoked. Nevertheless, to the extent Title 17 governs at all, we have no reason to conclude that every provision, including § 109(a), applies to the manufacture of works made abroad.

[45] Kirtsaeng argues that this holding is undesirable as a matter of public policy because it may permit a plaintiff to vitiate the first sale doctrine by "manufactur[ing] *all* of its volumes overseas only to then ship them into the U.S. for domestic sales." Defendant-Appellant's Br. at 21. Phrased differently, it is argued that any such decision may allow a copyright holder to completely control the resale of its product in the United States by producing its goods abroad and then immediately importing them for initial distribution. In this sense, the copyright holder would arguably enjoy the proverbial "best of both worlds" because, in theory, the consumer could not rely on the first sale doctrine to re-sell the imported work. In other words, the copyright holder would have an incentive to "outsource" publication to foreign locations to circumvent the availability of the first sale doctrine as a defense for consumers wishing to re-sell their works in the domestic market. The result might be that American manufacturing would contract along with the protections of the first sale doctrine. Kirtsaeng argues that this could not possibly have been Congress's intent. We acknowledge the force of this concern, but it does not affect or alter our interpretation of the Copyright Act.

We freely acknowledge that this is a particularly difficult question of statutory construction in light of the ambiguous language of § 109(a), but our holding is supported by the structure of Title 17 as well as the Supreme Court's opinion in Quality King. If we have misunderstood Congressional purpose in enacting the first sale doctrine, or if our decision leads to policy consequences that were not foreseen by Congress or which Congress now finds unpalatable, Congress is of course able to correct our judgment.

B. The District Court did not err in its instructions to the jury.

"We review jury instructions de novo, and reverse only when the charge, viewed as a whole, constitutes prejudicial error."[46] Kirtsaeng claims that the District Court erred by rejecting proposed jury instructions that acknowledged that the applicability of the first sale doctrine to foreign-produced goods was an unresolved question in the federal courts. Specifically, Kirtsaeng argues that he was prejudiced by the Court's failure to charge that the first sale doctrine was an unsettled area of law because the charge was essential to his argument that he had performed pre-sale internet research regarding the legality of his sales and therefore had not "willfully" infringed the copyrights.

It is undisputed that Kirtsaeng's counsel did not object to the final jury instructions during trial. "[F]ailure to object to a jury instruction...prior to the

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[46] *United States v. Amato*, 540 F.3d 153, 164 (2d Cir. 2008).

jury retiring results in a waiver of that objection."[47] Nonetheless, under Federal Rule of Civil Procedure 51(d)(2), we "may consider a plain error in the instruction that has not been preserved as required [under Rule 51] if the error affects substantial rights."

"To constitute plain error, a court's action must contravene an established rule of law."[48] Kirtsaeng does not meet his burden under this stringent standard. Although the District Court was free to permit the jury to consider the unsettled state of the law in determining whether Kirtsaeng's conduct was willful,[49] we can find no binding authority for the proposition that it was required to do so.[50] Further-

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[47] *Jarvis v. Ford Motor Co.*, 283 F.3d 33, 57 (2d Cir. 2002) (quotation marks omitted); *see also* Fed. R. Civ. P. 51.

[48] *Lavin-McEleny v. Marist Coll.*, 239 F.3d 476, 483 (2d Cir. 2001).

[49] *See N.A.S. Import, Corp. v. Chenson Enters., Inc.*, 968 F.2d 250, 252 (2d Cir. 1992) (holding that infringement is "willful" for the purpose of awarding enhanced statutory damages only if the defendant had "knowledge that [his] actions constitute[d] an infringement" or if the defendant exhibited "reckless disregard of the copyright holder's rights" (quotation marks omitted)); *cf. LNC Invs., Inc. v. First Fid. Bank, N.A.*, 173 F.3d 454, 468 (2d Cir. 1999) (holding that the jury was properly instructed to consider the unsettled state of the law in determining whether the defendants' actions were prudent).

[50] *But cf., e.g., Hearst Corp. v. Stark*, 639 F. Supp. 970, 980 (N.D. Cal. 1986) (holding that there could be no finding of willful copyright infringement as a matter of law where the wrongfulness of the defendant's actions depended on an unsettled question of law).

more, Kirtsaeng was provided ample opportunity to introduce evidence at trial and to argue to the jury that his internet research had led him to believe that his conduct was not unlawful. Accordingly, we cannot conclude that the District Court plainly erred in declining to give Kirtsaeng's proposed instruction.

C. The District did not err in allowing into evidence the amount of defendant's gross revenues.

Kirtsaeng argues that admission of evidence regarding his gross revenues prejudiced him by confusing the jury as to the amount of damages that should have been awarded to Wiley. He suggests that the majority of his revenues came from the sale of other publishers' used volumes, many of which were produced in the United States, and claims that because of the evidence of revenues that the judge permitted to be presented to the jury, he was inappropriately forced to pay high statutory damages.

To determine whether evidence of the amount of defendant's gross revenues was properly admitted, ordinarily we first determine the appropriate standard of review. As stated above, where a party does not contemporaneously object to an evidentiary ruling, that party must demonstrate that the District Court committed "plain error."[51] However, even if a proper objection was asserted in a timely fashion, we accord "considerable deference to a district court's decision to admit evidence" pursuant to Federal

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[51] Fed. R. Civ. P. 51 (d)(2).

Rule of Evidence 403(b)[52] and will reverse a district court's evidentiary ruling only if it constitutes an abuse of discretion.[53] When we review a district court's "judgment regarding the admissibility of a particular piece of evidence under [Federal Rule of Evidence] 403, we generally maximize its probative value and minimize its prejudicial effect."[54] Here, however, we need not reach the question of whether Kirtsaeng's counsel properly objected to the admission of evidence regarding his gross revenues because we hold that admission of the evidence by the District Court was not error or an abuse of discretion, and certainly not plain error.

At trial, the jury awarded $75,000 in statutory damages per copyrighted work for Kirtsaeng's willful infringement of eight works. Under the relevant statutory provision, 17 U.S.C. § 504(c), *see* note 10, *ante*, the jury could have awarded damages of up to $150,000 per copyrighted work. Because abundant evidence was available to support the jury's finding of willfulness, the admission of information about

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[52] *SEC v. DiBella*, 587 F.3d 553, 571 (2d Cir. 2009) (quotation marks omitted). Rule 403(b) provides: "Although relevant, evidence may be excluded if its probative value is substantially outweighed by the danger of unfair prejudice, confusion of the issues, or misleading the jury, or by considerations of undue delay, waste of time, or needless presentation of cumulative evidence." Fed. R. Evid. 403(b).

[53] *DiBella*, 587 F.3d at 571; *cf. Sims v. Blot*, 534 F.3d 117, 132 (2d Cir. 2008) (explaining the term of art "abuse of discretion").

[54] *United States v. Downing*, 297 F.3d 52, 59 (2d Cir. 2002) (quotation marks omitted).

Kirtsaeng's revenues was not prejudicial—that is, the jury could have imposed the same amount of damages without knowledge of Kirstaeng's revenues. For example, the books in question clearly stated the following:

> This book is authorized for sale [in a foreign region] only and may not be exported out of this region. Exportation from or importation of this book to another region without the Publisher's authorization, is illegal and is a violation of the Publisher's rights. The Publisher may take legal action to enforce its rights. The Publisher may recover damages and costs, including but not limited to lost profits and attorney's fees, in the event legal action is required.

In these circumstances, it does not seem anomalous or extraordinary that the jury made the findings it did, and we see no reason to conclude that the District Court's decision was improper under Rule 403(b).

CONCLUSION

To summarize, we hold that (1) the first sale doctrine does not apply to works manufactured outside of the United States; (2) the District Court did not err in declining to instruct the jury regarding the unsettled state of the first sale doctrine; and (3) the District Court did not err in admitting evidence of Kirtsaeng's gross revenues.

Accordingly, the judgment of the District Court is **AFFIRMED**.

J. GARVAN MURTHA, *District Judge*, dissenting:

As noted by the majority, the application of the first sale doctrine when a copy is manufactured outside the United States is an issue of first impression in this Circuit. The Supreme Court has recently considered the issue but unfortunately provided no specific guidance. See *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010), aff'g by an equally divided court 541 F.3d 982 (9th Cir. 2008) (holding the first sale doctrine does not apply to foreign manufactured copies unless previously imported and sold with the copyright holder's authorization). Unlike the majority, I conclude the first sale defense should apply to a copy of a work that enjoys United States copyright protection wherever manufactured. Accordingly, I respectfully dissent.

The Copyright Act sections that are pertinent to this appeal—17 U.S.C. §§ 106(3), 109(a), and 602(a)(1)—are set out in the opinion of the majority. The distribution right of § 106(3) primarily protects a copyright owner's ability to control the terms on which her work enters the market. The first sale doctrine of § 109(a) limits the scope of this distribution right. Finally, § 602(a)(1) addresses the extent to which the distribution right allows a copyright owner to also control importation of copies of her work.

The Supreme Court has held a copyright owner's § 602(a) right to control the importation of copies of her work is derivative of § 106(3)'s distribution right, which is subject to the first sale doctrine. *Quality King Distrib., Inc. v. L'Anza Research Int'l, Inc.*, 523

U.S. 135, 149 (1998). The Court noted "the text of § 602(a) itself unambiguously states that the prohibited importation is an infringement of the exclusive distribution right 'under section 106, actionable under section 501.'" Id. Because the rights granted in § 106(3) are "subject to sections 107 through 122," the copyright owner's power to limit importation is qualified by the first sale doctrine of § 109(a). Id. at 144.

The issue is whether this holding can be extended to copies manufactured outside the United States. The Quality King Court held the first sale doctrine applies to imported copies that were made in the United States. Here, the district court held—and the majority affirms—the doctrine does not apply to imported copies that were made abroad because § 109(a) applies only to copies that are "lawfully made under this title," and that means physically manufactured in the United States. See *John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08 Civ 7834, 2009 WL 3364037, at *9 (S.D.N.Y. Oct. 19, 2009). The court's decision is based on the following dicta in Quality King:

Even in the absence of a market allocation agreement between, for example, a publisher of the United States edition and a publisher of the British edition of the same work, each such publisher could make lawful copies. If the author of the work gave the exclusive United States distribution rights—enforceable under the Act—to the publisher of the United States edition and the exclusive British distribution rights to the publisher of the British edi-

tion, however, presumably only those made by the publisher of the United States edition would be 'lawfully made under this title' within the meaning of § 109(a). The first sale doctrine would not provide the publisher of the British edition who decided to sell in the American market with a defense to an action under § 602(a).

523 U.S. at 148 (footnote omitted).

I respectfully disagree with the court's analysis. To apply, § 109(a) requires (1) the person claiming protection be the owner of the copy, and (2) the copy was "lawfully made under this title." 17 U.S.C. § 109(a). Courts have split over the meaning of "lawfully made under this title," with some holding it means "legally manufactured...within the United States," *CBS v. Scorpio Music Distrib.*, 569 F Supp. 47, 49 (E.D. Pa. 1983), aff'd without opinion, 738 F.2d 424 (3d Cir. 1984); see also *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 987 (9th Cir. 2008), aff'd by an equally divided court 131 S. Ct. 565 (2010), and others "confess[ing] some uneasiness with this construction" and suggesting "lawfully made under this title" refers not to the place a copy is manufactured but to the lawfulness of its manufacture as a function of U.S. copyright law. *Sebastian Int'l, Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093, 1098 n.1 (3rd Cir. 1988).

The statutory text does not refer to a place of manufacture: It focuses on whether a particular copy was manufactured lawfully under title 17 of the United States Code. 17 U.S.C. § 109(a). The United

States law of copyrights is contained in title 17 Accordingly, the lawfulness of the manufacture of a particular copy should be judged by U.S. copyright law. *Pearson Educ. v. Liu*, 656 F Supp. 2d 407, 412 (S.D.N.Y. 2009) (John Wiley & Sons, Inc. was a plaintiff in this action as well). A U.S. copyright owner may make her own copies or authorize another to do so. 17 U.S.C. § 106(1). Thus, regardless of place of manufacture, a copy authorized by the U.S. rightsholder is lawful under U.S. copyright law. Here, Wiley, the U.S. copyright holder, authorized its subsidiary to manufacture the copies abroad, which were purchased and then imported into the United States.

This interpretation of "lawfully made" is supported by the language of the Copyright Act as a whole. For example, Congress used the phrase "under this title" in multiple sections of the Act to describe the scope of rights created by the Act. See, e.g., 17 U.S.C. § 104(a) (providing certain works, "while unpublished, are subject to protection under this title without regard to the nationality or domicile of the author"); id. § 105 (providing "copyright protection under this title is not available for any work" of the U.S. government); id. § 106 (providing "the owner of copyright under this title has the exclusive rights to. "). However, "[w]hen Congress considered the place of manufacture to be important,...the statutory language clearly expresses that concern." *Sebastian*, 847 F.2d at 1098 n.1. For example, § 601(a), the "manufacturing requirement," provides:

> Prior to July 1, 1986, and except as provided by subsection (b), the importation into or public distribution in the United States of copies of a work consisting preponderantly of nondramatic literary material that is in the English language and is *protected under this title* is prohibited unless the portions consisting of such material have been *manufactured in the United States* or Canada.

17 U.S.C. § 601(a)(1) (emphasis added). Also, as the majority points out, § 104(b)(2) provides "[t]he works specified by sections 102 and 103, when published, are subject to protection under this title if the work is first published *in the United States or in a foreign nation.* " 17 U.S.C. § 104(b)(2) (emphasis added). If Congress intended § 109(a) to apply only to copies manufactured in the United States, it could have stated "lawfully manufactured in the United States under this title." As Congress did not include "manufactured in the United States" in § 109(a), though it was clearly capable of doing so as demonstrated by § 601(a), the omission supports the conclusion that Congress did not intend the language "lawfully manufactured under this title" to limit application of § 109(a) to only copies manufactured in the United States.[55]

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[55] Congress also demonstrated it could differentiate based on the place a copy was "acquired," *see* § 602(a) (applying to copies "acquired outside the United States"), further supporting the conclusion that its omission of a phrase indicating the place of manufacture was not accidental.

As noted in the majority opinion, supra note 14, the first sale doctrine originated in *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908). There the Supreme Court held defendant-retailer's sales of a copyrighted book for less than the price noted on the copyright page was not a copyright violation. Id. at 341. "The purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it." *Bobbs-Merrill*, 210 U.S. at 350. Once the copyright holder has controlled the terms on which the work enters the market, i.e., the purpose of the distribution right, "the policy favoring a copyright monopoly for authors gives way to the policy opposing restraints of trade and restraints on alienation." *Pearson*, 656 F Supp. 2d at 410 (citation and quotation marks omitted). Accordingly, the *Bobbs-Merrill* Court held the copyright owner did not have the right to control the terms of subsequent sales. 210 U.S. at 351.

The common law policy against restraints on trade and alienation is not limited by the place of manufacture. *Pearson*, 656 F Supp. 2d at 413. Under the 1909 (codifying the *Bobbs-Merrill* holding) and 1947 Copyright Acts, the first sale doctrine applied to "any copy of a copyrighted work the possession of which has been lawfully obtained." Pub. L. No. 60-349, 35 Stat. 1075, 1084 (1909); Pub. L. No. 80-281, 61 Stat. 652, 660 (1947) (emphasis added). The Supreme Court noted "[t]here is no reason to assume Congress intended either § 109(a) or the earlier codifications of the doctrine to limit its broad scope." *Quality King*, 523 U.S. at 152. The changed wording in the current version of § 109(a)—"lawfully made under this ti-

tle"—from the prior versions—"possession of which has been lawfully obtained"—should likewise not be presumed to do so.

Economic justifications also support applicability of the first sale doctrine to foreign made copies. Granting a copyright holder unlimited power to control all commercial activities involving copies of her work would create high transaction costs and lead to uncertainty in the secondary market. An owner first would have to determine the origin of the copy—either domestic or foreign—before she could sell it. If it were foreign made and the first sale doctrine does not apply to such copies, she would need to receive permission from the copyright holder.[56] See 17 U.S.C. § 106(3). Such a result would provide greater copyright protection to copies manufactured abroad than those manufactured domestically: Once a domestic copy has been sold, no matter where the sale occurred, the copyright holder's right to control its distribution is exhausted. I do not believe Congress

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[56] Wiley argues its interpretation of § 109(a) would not lead to perpetual control over imported works because once the U.S. copyright owner imports its copies into the United States, they are lawfully within the United States and, as § 602 applies only to "importations without the authority of the copyright owner," any further sales would not be covered. Appellee's Br. at 24-25. This argument is not persuasive because the copyright holder seeking to prevent its copies from entering the United States retains exclusive control no matter how many foreign sales may have been made. Wiley's rule allows it to protect the disparity in its pricing structure despite free market forces. Indeed such a rule, by differentiating based on place of manufacture, would encourage the manufacturing of copies abroad to the detriment of American workers.

intended to provide an incentive for U.S. copyright holders to manufacture copies of their work abroad.

The Ninth Circuit has attempted to circumvent this perpetual right when a copy is made abroad by holding the first sale doctrine can apply to copies made outside the United States but only after there has been one authorized sale here. *Denbicare U.S.A. Inc. v. Toys R Us, Inc.*, 84 F.3d 1143, 1150 (9th Cir. 1996). This precedent carried over into the reasoning in *Omega S.A.*, 541 F.3d at 986-90. The Supreme Court, however, provided no guidance as to its views on the Ninth Circuit's imperfect solution, which is judicially created. This interpretation finds no support in the statutory text and is in direct conflict with the portion of the Supreme Court's *Quality King* decision which noted that where a sale occurs is irrelevant for first sale purposes. *See* 523 U.S. at 145.

Supporters of limiting the application of the first sale doctrine to domestically manufactured copies rely on the argument that applying the doctrine to foreign made copies would render § 602(a) "virtually meaningless." (Appellee's Br. at 15-17.) However, § 602(a) will always apply to copies of a work that have not been sold or are piratical copies. It also applies to copies of a work not lawfully manufactured under title 17 but lawfully manufactured under some other source of law, as in the *Quality King* dicta, and to copies not in the possession of the "owner," e.g., a bailee, licensee, consignee or one whose possession of the copy was unlawful. *Quality King*, 523 U.S. at 147-48. Further, § 602(a) itself states unau-

thorized importation is an infringement of the exclusive distribution right of § 106, which as noted above is subject to the first sale doctrine of § 109(a).

Nothing in § 109(a) or the history, purposes, and policies of the first sale doctrine limits it to copies of a work manufactured in the United States. That leaves the question whether the *Quality King* dicta "sp[eaks] directly to whether the first sale doctrine applies to copies manufactured abroad." *Pearson*, 656 F. Supp. 2d at 414. That dicta, however, makes no reference to the place of manufacture, *Quality King*, 523 U.S. at 148, and therefore does not speak directly to the issue of applicability of the doctrine to foreign made copies.[57] Further, the dicta states the first sale doctrine would not provide a defense to the publisher who sold copies in the American market. *Quality King*, 523 U.S. at 148. Of course, because in that situation there has been no first sale unlike here, where the issue is whether the first sale doctrine is available as a defense to the subsequent purchaser.

In *Quality King*, Justice Ginsburg, in a concurrence joined by no other justice, noted: "I join the Court's opinion recognizing that we do not today resolve cases in which the allegedly infringing imports were manufactured abroad." *Quality King*, 523 U.S.

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[57] The Amici argue, based on the discussion at oral argument of *Quality King*, the Court was actually discussing the situation where the copy is made—presumably abroad, but could be domestically—by someone other than the U.S. copyright holder, for example, a British copyright holder who manufactures under British law. Entm't Merch. Assoc. Amici Br. at 10-12.

at 154 (Ginsburg, J., concurring). That issue, however, was squarely before the Supreme Court in Omega and four justices presumably did not agree the Quality King dicta directly addresses it or constitutes the Court's current view. In light of the above analysis, I agree with the majority that it is a "close call," supra p. 19, and I would conclude the first sale doctrine applies to foreign manufactured copies.

For the foregoing reasons, I respectfully dissent.

APPENDIX F

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

No. 08-7834

JOHN WILEY & SONS, INC.,

Plaintiff

v.

SUPAP KIRTSAENG, d/b/a BLUECHRISTINE99, et al.,

Defendants

OPINION

Plaintiff publisher, John Wiley & Sons, Inc. ("Wiley") brings this action claiming that Defendant Supap Kirtsaeng ("Kirtsaeng"),[1] and other unknown associates, violated the Copyright Act's (the "Act") prohibition of the unauthorized importation of goods subject to U.S. copyright and thereby infringed Wiley's exclusive right to distribute copies of its cop-

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[1] Kirtsaeng, in his resale of Wiley books on commercial websites, does business under the following names: BlueChristine99, BillyText, PinkyText, Sudchliew, Tubooksl23 and PigVickey. (*See* Am. Compl. ¶ 16.)

yrighted works under section 106(3) of the Act. Specifically, Wiley alleges that Kirtsaeng and his associates purchased abroad foreign editions of Wiley textbooks and imported and resold them in the United States—without Wiley's authorization—over the Internet through websites including, but not limited to, eBay. Kirtsaeng responds that the "first sale" doctrine, codified as section 109(a) of the Act, provides a complete defense to Wiley's claims. He additionally raises the defenses of waiver and lack of standing.

As explained below, the court holds that the Act does not provide Kirtsaeng with any of these three defenses to this action.

I. Background

The parties disagree as to the facts of this case; therefore, the court will attempt to fairly set forth the disputed and undisputed evidence.

Wiley publishes textbooks world-wide. In order to print and publish these textbooks, Wiley obtains, from the authors, assignment of the U.S. and foreign copyrights of reproduction and distribution. It is Wiley's practice, generally, to register these copyrights.

The design, quality, and prices of Wiley-copyrighted textbooks, however, allegedly vary depending on where they are published. According to Wiley, its U.S. editions, authorized for sale in the U.S., are "of the highest quality...generally printed with strong, hard-cover bindings with glossy protective coatings," and are often supplemented with CD-

ROMs, access to educational websites, and study guides. (Am. Compl. ¶ 11.) The foreign editions, Wiley further asserts, though meant to be "generally comparable in quality and appearance" to the U.S. editions, (Def.'s Ex. 1 at ¶ 2(c)) nonetheless "materially differ from the United States editions [with] thinner paper and different bindings, different cover and jacket designs, fewer internal ink colors, if any, lower quality photographs and graphics, and generally lower prices...and often lack academic supplements. " (Am. Compl. ¶ 12.) The foreign editions indicate on their front covers that they are a "Wiley International Student Edition[s]," "Wiley International Student Version[s]," or "Wiley Asia Student Edition(s)." (Pl.'s Exs. 10, 12, 14, 16, 18, 20, 22, 24.) On their back covers, the foreign editions state that they are either "authorized for sale in Europe, Asia, Africa and the Middle East only" or "authorized for sale in Asia only" and specifically affirm that

> This book...may not be exported. Exportation from or importation of this book to another region without the Publisher's authorization is illegal and is a violation of the Publisher's rights. The Publisher may take legal action to enforce its rights. The Publisher may recover damages and costs, including but not limited to lost profits and attorney's fees, in the event legal action is required.

(Pl.'s Exs. 10, 12, 14, 16, 18, 20, 22, 24.) In addition, while the foreign editions also specify that they were "Printed in Asia," these editions display notices of

foreign copyright.[2] (Pl.'s Exs. 10, 12, 14, 16, 18, 20, 22, 24.) Wiley avers that it "makes more profit from the sale of a United States Edition than from the sale of a Foreign Edition." ([Revised] Joint Pre-trial Order, Sched. C-1, ¶ 16.)

Wiley entered into a "Reprint Agreement" whereby it affirmatively assigned to one of its subsidiaries—John Wiley & Sons (Asia) Pte Ltd. ("Wiley Asia")—its rights to the reprinting and publishing of foreign editions of its books "for sale as English language reprint editions *in the following territories*: India, Bangladesh, Indonesia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, [and] Vietnam [the "territories]." (*See* Def.'s Ex. 1 at ¶ 1 (emphasis added); *see also* [Revised] Joint Pre-trial Order, Sched. C-2, ¶ 6.)[3] Thus, Wiley assigned its rights to publish and sell its books in the territories to Wiley Asia and

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[2] The parties agree that the foreign editions had "notices stating that the books are copyrighted in the U.S." ([Revised] Joint Pre-trial Order, Sched. C, ¶ D.) The books, however, do not appear to bear U.S. copyright notices sufficient to satisfy the requirements under section 401(b) of the Act. 17 U.S.C. § 401(b). However, notice of copyright under the Act is not a prerequisite to an infringement action. If such a section 401(b) notice appears on a U.S.-copyrighted book, the Act provides instead that an alleged infringer cannot raise the defense that he "innocently" infringed the copyright. *See id.* § 401(d). *See also Matthew Bender & Co. v. West Publ'g Co.*, 240 F.3d 116, 123 (2d Cir. 2001).

[3] Subsequently, on March 30, 2007, Wiley assigned Wiley Asia's reprint rights to Wiley India Pvt. Ltd. ("Wiley India"). (Def.'s Ex. 3. ¶ 1(a).) The assignment to Wiley India does not affect the outcome in this case.

later to Wiley India, but, given the geographic limitations on the assignment, retained its U.S. copyright protection and its rights to publish and sell its books in the United States.[4]

Kirtsaeng moved from Thailand to the U.S. in 1997 and obtained an undergraduate degree in mathematics. ([Revised.] Joint Pre-trial Order, Sched. C, ¶ A.) According to Kirtsaeng, he thereafter moved to California to pursue a Ph.D. (Decl. of Supap Kirtsaeng in Opp. to Mot. for Attach. & Prelim. Inj. ¶ 2) which he ostensibly earned in 2009. (See, Decl. of Supap Kirtsaeng in Opp. to Mot. for Contempt ¶¶ 6-7.) During his stay in the U.S., Kirtsaeng received shipments[5] of Wiley foreign edition textbooks, printed abroad by Wiley Asia, "via UPS express and ocean freight" from "friends and family." ([Revised] Joint Pre-trial Order, Sched. C, ¶¶ B, C; id., Sched. C-2, ¶ 3.) He then sold these textbooks on commercial websites, reimbursed his family and friends from the sales, and retained the profits from these sales to, among other things, pay for his education. (Id., Sched. C, ¶ C; id., Sched. C-2, ¶ 1; see also Decl. of Supap Kirtsaeng in Opp. to Mot. for Attach. & Prelim. Inj. ¶ 6.) Kirtsaeng in-

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[4] Kirtsaeng emphasizes that the "Reprint Agreement" with Wiley Asia "does not prohibit shipments from overseas into the United States." ([Revised] Joint Pre-trial Order, Sched. C-2, 1 8.) However, the court finds this omission immaterial to its interpretation of the assignment contract.

[5] The parties agree that Kirtsaeng "did not *personally* bring books from overseas into this country." ((Revised] Joint Pretrial Order, Sched. C, ¶ C.) (emphasis added).

sists that, prior to his sales of textbooks, he consulted friends from Thailand as well as advice from a "Google Answers Researcher" to affirm the legality of the sales. (See Decl. of Supap Kirtsaeng in Opp. to Mot. for Attach. & Prelim. Inj. ¶¶ 6-7; Def.'s Ex. 4; [Revised] Joint Pre-trial Order, Sched. C-2, ¶ 3.) Wiley alleges that Kirtsaeng sold numerous copies of the foreign editions of, at minimum, eight of its copyrighted works, amounting to "revenue of over $37,000" from these sales.[6] ((Revised] Joint Pre-trial Order, Sched. C-1, ¶¶ 2-3, 6.)

In September 2008, Wiley commenced this suit against Kirtsaeng claiming copyright infringement, under 17 U.S.C. § 501,[7] as well as trademark infringement and New York state claims for unfair competition.[8] (Am. Compl. ¶¶ 17-32.) Wiley requests a preliminary and permanent injunction, un-

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[6] Wiley further claims that Kirtsaeng "had additional revenue from the sale of copies [of] Wiley's copyrighted works which he did not disclose in discovery" and "has provided incomplete evidence of expenses of his infringing sales." ((Revised] Joint Pre-trial Order, Sched. C-1, ¶¶ 7-8.)

[7] In accordance with section 501, the owner of a copyright "is entitled...to institute an action" against a copyright "infringer," that is, "[a]nyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122..., or who imports copies...into the United States in violation of section 602." 17 U.S.C. 501(a)-(b).

[8] Plaintiff has since abandoned its trademark and unfair competition claims. (*See* [Revised] Joint Pre-trial Order.)

der 17 U.S.C. § 502(a) (2006),[9] and statutory damages, under 17 U.S.C. § 504(c).[10] The parties have concluded discovery, and this action is schedule for jury trial.

Kirtsaeng claims that he may raise the "first sale" doctrine pursuant to 17 U.S.C. § 109(a), waiver, and standing as defenses to Wiley's copyright infringement action. Kirtsaeng's assertion of these defenses raises legal issues the court must resolve.

II. The "First Sale" Defense

Both parties have briefed the applicability of section 109(a) to this case, and, thus, the issue is ripe for judicial decision. Before addressing the issue, however, the court will discuss the relevant provisions of the Act.

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[9] Pursuant to section 502(a), a copyright owner may ask the court for "temporary and final injunctions on such terms as [the court] may deem reasonable to prevent or restrain infringement of a copyright." *Id.* § 502(a).

[10] Section 504(c) provides for statutory damages, at the copyright owner's election:

> to recover, instead of actual damages and profits, an award...for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than $750 or more than $30,000 as the court considers just.

Id. § 504(c)(1). Higher damages may awarded if the copyright owner can demonstrate that the defendant "willfully" infringed the copyright. *See id.* § 504(c)(2).

A. Section 109(a) of the Act

In *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350-51 (1908), the Supreme Court introduced the "first sale" doctrine, now codified under 17 U.S.C. § 109(a), as a defense to a claim of copyright infringement.[11] *Bobbs-Merrill*, 210 U.S. at 350 ("The purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it. In our view the copyright statutes, while protecting the owner of the copyright in his right to multiply and sell his production, do not create the right to impose, by notice, such as is disclosed in this case, a limitation at which the book shall be sold at retail by future purchasers, with whom there is no privity of contract.").

Codifying this "first sale" defense, section 109(a) states, in pertinent part:

> Notwithstanding the provisions of section 106(3), the owner of a particular copy...lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy.

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[11] Congress initially established the first sale doctrine as statutory law in 1909 as part of the Act. *See* Copyright Act of 1909, ch. 320, § 41, 35 Stat. 1075, 1084 (1909). In 1947, the Act was codified, *see* Copyright Act of 1947, ch. 391, § 27, 61 Stat. 652, 660 (1947), and in 1976 the Act was overhauled and the first sale statutory language materially changed to its current form. *See* Copyright Act of 1976, § 109, 90 Stat. 2541, 2548-49 (1976).

Section 106 of the Act, referenced above in section 109, enumerates the "exclusive rights" in copyrighted works possessed by the copyright owner; subsection (3) provides the owner with the "exclusive" right "to distribute copies...of the copyrighted work to the public by sale or other transfer of ownership..." *Id.* § 106(3). Violation of any of the section 106 "exclusive" rights constitutes copyright infringement, and subjects the infringer to civil liability under the Act. *See id.* § 501(a)-(b). However, pursuant to section 109, "*notwithstanding*" the copyright owner's "exclusive" right to distribute its works, an *owner of a "particular copy"* of the work may *dispose of that copy as he pleases* without subjecting himself to liability. *Id.* § 109(a) (emphasis added).

B. Section 602(a) of the Act

Section 602 of the Act complicates matters. According to section 602(a):

> (1)...Importation into the United States, without the authority of the owner of copyright under this title, of copies of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501.[12]

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[12] Section 602(a)(3) provides three exceptions:

> (A) importation or exportation of copies...under the authority or for the use of the Government of the United States or of any State or political subdivision of a State, but not including copies , for use in schools...;

17 U.S.C.A. § 602(a)(1) (2005 & Supp. 2009).[13]

C. Quality King

The Supreme Court has explained the interaction of sections 109(a) and 602(a), holding that the importation of goods subject to U.S. copyright cannot constitute copyright infringement when the goods are *manufactured in the U.S.*, sold by the U.S. copyright owner to an entity abroad, and subsequently reimported into the U.S. *See Quality King Distribs. v. L'Anza Research Intl*, 523 U.S. 135, 145 (1998). According to the Supreme Court, once the U.S. copy-

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> (B) importation or exportation, for the private use of the importer or exporter and not for distribution, by any person with respect to no more than one copy...of any one work at any one time, or by any person arriving from outside the United States or departing from the United States with respect to copies...forming part of such person's personal baggage; or
>
> (C) importation by or for an organization operated for scholarly, educational, or religious purposes and not for private gain...

Id. § 602(a)(3). Defendant has not argued that any of these exceptions apply to limit section 602 application.

[13] Section 602(a)(2) also prohibits such imports, without the owner's authorization, of copyrighted articles "the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable..." Notably, as long as a copyrighted work is "lawfully made," Customs has no authority to prevent its importation, *id.* § 602(b), but the infringer is nevertheless subject to a civil lawsuit for unauthorized importation.

right owner sold its goods, whether in the U.S. or otherwise, the first sale doctrine protected the subsequent owner of the goods from liability under the Act.[14]

Quality King's reasoning hinges on the Supreme Court's reading of the relevant sections of the Act. The Court noted that section 602 "does not categorically prohibit the unauthorized importation of copyrighted materials." Id. at 144. Rather, section 602 provides that "such importation is an infringement of the exclusive right to distribute copies 'under section 106,'" the latter statutory provision stating that all exclusive rights granted are limited by the provisions 17 U.S.C. §§ 107 through 120—including section 109(a), which "expressly permit[s] the owner of

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[14] The *Quality King* plaintiff sold its product with U.S.-manufactured copyrighted labels in the United States and abroad, applying different advertising techniques and charging 35 to 40 percent lower prices on sales abroad. *Quality King*, 523 U.S. at 138-39. As to its domestic sales, Plaintiff L'anza sold "exclusively to domestic distributors who have agreed to resell within limited geographic areas and then only to authorized retailers such as barber shops, beauty salons, and professional hair colleges." *Id.* at 138. The goods sold in foreign markets "were manufactured by L'anza and first sold by L'anza to a foreign purchaser." *Id.* at 139. Thereafter, the foreign-sold goods "found their way back into the United States without the permission of L'anza and were sold in California by unauthorized retailers who had purchased them at discounted prices from [Defendant] Quality King Distributors, Inc." *Id.*

For the purposes of the decision, the Court assumed that Quality King "bought all three shipments from the Malta distributor, imported them, and then resold them to retailers who were not in L'anza's authorized chain of distribution." *Id*

a lawfully made copy to sell that copy 'notwithstanding the provisions of section 106(3)." *Id.* Therefore, the Court reasoned

> After the first sale of a copyrighted item "lawfully made under this title," any subsequent purchaser, whether from a domestic or from a foreign reseller, is obviously an "owner" of that item. Read literally, § 109(a) unambiguously states that such an owner "is entitled, without the authority of the copyright owner, to sell" that item. Moreover, since § 602(a) merely provides that unauthorized importation is an infringement of an exclusive right "under section 106," and since that limited right does not encompass resales by lawful owners, the literal text of § 602(a) is simply inapplicable to both domestic and foreign owners of L'anza's products who decide to import them and resell them in the United States.
>
> The whole point of the first sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution.

Id. at 145, 152. As a consequence, "the owner of goods lawfully made under the Act is entitled to the protection of the first sale doctrine in an action in a United States court *even if the first sale occurred abroad*." *Id.*, at 145 n.14 (emphasis added).

Kirtsaeng argues that the holding in *Quality King* should be extended to also cover *foreign*-manufactured goods. He urges the court, when de-

ciding whether a protected first sale has taken place, to focus on whether the copyright owner has received its "reward" for the sale. *See Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F.2d 847, 854 (2d Cir. 1963) ("the ultimate question embodied in the 'first sale' doctrine [is] 'whether or not there has been such a disposition of the article that it may fairly be said that the patentee [or copyright proprietor] has received his reward for the use of the article'" (quoting *United States v. Masonite*, 316 U.S. 265, 278 (1942))); *Sebastian Int'l. Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093, 1098-99 (3d Cir. 1988). Because Wiley transferred its printing rights to Wiley Asia for "financial consideration" and "profited on its assignment," Kirtsaeng concludes that the first sale doctrine applies. ([Revised] Joint Pre-trial Order, Sched. F-3, 26, 27.)

D. Analysis

The precise issue confronting the court is as follows: is a U.S. importer[15] and/or subsequent distributor liable for copyright infringement, when this importer/distributor purchases foreign editions of U.S. copyrighted textbooks from a foreign company that manufactures and sells the textbooks pursuant to a geographically-specific assignment agreement, i.e., does the importation prohibition in section 602(a)(1) apply, despite a "first sale" abroad where the goods were lawfully made abroad rather than in the Unit-

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[15] The court assumes, in its instant analysis, that Kirtsaeng imported the books covered by U.S. copyright.

ed States? For the following reasons, this court answers this question in the affirmative.

This is, however, a relatively close jurisprudential question. See 2 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 8.12[B][6] (Matthew Bender, Rev. Ed. 2009). Indeed, courts disagree as to the particular application of section 109(a) to fact patterns such as in this case. *Compare Pearson Educ., Inc. v. Liao*, No. 07-Civ-2423 (SHS), 2008 U.S. Dist. LEXIS 39222, at *8-12 (S.D.N.Y. May 13, 2008) (holding that section 109(a) does not apply to foreign-manufactured goods) *and Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 988-90 (9th Cir. 2008) (same)[16] *with Pearson Educ., Inc. v. Liu*, No. 1:08-cv-06152-RJH, 2009 U.S. Dist. LEXIS 88569, at

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[16] *Columbia Broadcasting Sys., Inc. v. Scorpio Music Distribs,. Inc.*, 569 F. Supp. 47, 49-50 (E.D. Pa. 1983), *aff'd without opinion*, 738 F.2d 421 (3d Cir. 1984) is the seminal case that refused to allow a first sale defense under section 109(a) in the case of foreign-manufactured goods. A host of cases have followed the *Scorpio* reasoning, even post-*Quality King*. *See, e.g., Microsoft Corp. v. Big Boy Distrib. LLC*, 589 F. Supp. 2d 1308, 1316-17 (S.D. Fla. 2008); *Microsoft Corp. v. Cietdirect.com LLC*, No. 08-60668-CTV-UNGARO, 2008 U.S. Dist. LEXIS 61956, at *13-15 (S.D. Fla. Aug. 5, 2008); *Swatch S.A. v. New City Inc.*, 454 F Supp. 2d 1245, 1253-54 (S.D. Fla. 2006); *U2 Home Ent'mt, Inc. v. Lai Ying Music & Video Trading, Inc.*, No. 04 Civ. 1233, 2005 U.S. Dist. LEXIS 9853, at *15-16 (S.D.N.Y. May 25, 2005), *rev'd in part on other grounds*, 245 F App'x 28 (2d Cir. 2007); *UMG Recordings, Inc. v. Norwalk Distribs., Inc.*, No. SACV 02-1188 DOC (ANx), 2003 U.S. Dist. LEXIS 26302, at *11-14 (C.D. Cal. Mar. 13, 2003); *Parfums Givenchy*, 38 F.3d at 481-82; *BMG Music v. Perez*, 952 F.2d 318, 319 (9th Cir. 1991); *Lingo Corp. v. Topix, Inc.*, No. 01 Civ. 2853 (RMB), 2003 U.S. Dist. LEXIS 1437, at *12-13 (S.D.N.Y. Jan. 31, 2003).

*12-27 (S.D.N.Y. Sept. 25, 2009) (reading section 109(a) as equally applying to U.S.-and foreign-manufactured goods, but nonetheless refusing to allow a section 109(a) defense in light of *Quality King dicta*) *and Red Baron-Franklin Park, Inc. v. Taito Corp.*, No. BB-0156-A, 1988 U.S. Dist. LEXIS 15735, at *9-10 (E.D. Va. Aug. 29, 1988) (allowing 109(a) defense even when goods are manufactured abroad) (discussing *Sebastian*, 847 F.2d at 1098 & n.1), *rev'd on other grounds*, 883 F.2d 275 (4th Cir. 1989).[17]

As explained below, the court has reservations about the wisdom of a bright-line rule in the application of section 109(a) to this situation. *Cf. Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577-578 (1994) (refusing to institute a bright-line in place of a case-by-case analysis as to section 107 of the Act). Nevertheless, following the Supreme Court's *dicta* in *Quality King*, the court reads section 109(a)'s language to render the "first sale" defense unavailable to the goods manufactured in a foreign country at issue here.

(1) Statutory Language

"As with any question of statutory interpretation, [the court's] analysis begins with the plain language of the statute." *Jimenez v. Quarterman*, __ U.S. __, __, 129 S. Ct. 681, 685 (2009) (citation and internal quotation marks omitted). Section 109(a) applies to

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[17] *See also, e.g., Okocha v. Amazon.com*, 153 F. App'x 849, 849-50 (3d Cir. 2005) (allowing section 109(a) defense to Amazon.com's sale of books possibly manufactured abroad).

copies "lawfully made under this title." The dictionary definition of "made" is relatively straightforward—"[p]roduced or manufactured by constructing, shaping, or forming." *Webster's II New Riverside University Dictionary* 713 (1988). The court notes the dictionary definitions of "under": "[s]ubject to" or "[w]ith the authorization of." *Id.* 1256. *Accord Ardestani v. INS*, 502 U.S. 129, 134-35 (1991). It follows, then, that the imported goods must be manufactured "subject to" or "with the authorization of" the Act in order for section 109(a) to apply.

Using this plain language definition, however, there is still some ambiguity as to relationship between "made" and "under this title." The phrase "lawfully made under this title" can still be read either of two ways: (1) the goods must be made in a way that is consistent with the authorization called for in the Act, in which case the goods may be manufactured either domestically or internationally, or (2) the goods must be made within the control of U.S. law, that is, domestically only. *See Liu*, 2009 U.S. Dist. LEXIS 88569, at *13-14. Hence, the plain language, in the relevant sections of the Act, is at least ambiguous, and, consequently, the court turns to other methods of interpretation.

(2) Statutory Context[18]

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[18] "It is a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme." *Davis v. Mich. Dep't of Treasury*, 489 U.S. 803, 809 (1989).

The structure of the Act also does not provide a determinative conclusion. Generally, "[a] term appearing in several places in a statutory text is [] read the same way each time it appears." *Ratzlaf v. United States*, 510 U.S, 135, 143 (1994). Many provisions use the terms "lawfully made under this title"[19] as well as "under this title."[20] Whereas, perhaps, the

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[19] *See also, e.g.*, 17 U.S.C. § 109(c) ("Notwithstanding the provisions of section 106(5), the owner of a particular copy *lawfully made under this title*, or any person authorized by such owner, is entitled, without the authority of the copyright Owner, to display that copy publicly. "), 109(e) ("Notwithstanding the provisions of sections 106(4) and 106(5), in the case of an electronic audiovisual game intended for use in coin-operated equipment, the owner of a particular copy of such a game *lawfully made under this title*, is entitled, without the authority of the copyright owner of the game, to publicly perform or display that game ..."), 110 ("the following are not infringements of copyright...performance or display of a work by instructors or pupils in the course of face-to-face teaching activities of a nonprofit educational institution, in a classroom or similar place devoted to instruction, unless...the performance, or the display of individual images, is given by means of a copy that was not *lawfully made under this title*, and that the person responsible for the performance knew or had reason to believe was not lawfully made."), 1001(7), 1006(a) (an "interested copyright party" is entitled to royalties from those importing and selling certain recordings which contain those of its works "*lawfully made under this title*.") (emphasis added). *Compare id.*, § 112(g) ("The transmission program embodied in a copy or phonorecord *made under this section* is not subject to protection as a derivative work under this title") (emphasis added).

[20] *See, e.g.*, 17 U.S.C. §§ 104(a) ("The works specified by sections 102 and 103, while unpublished, are subject to protection *under this title* without regard to the nationality or domicile of the author"), 106 ("Subject to sections 107 through 122, the owner of copyright *under this title* has the exclusive rights to do and to

latter term does not necessarily refer to the place of manufacture, see Liu, 2009 U.S. Dist. LEXIS 88569, at *15-16, it is not conclusively apparent that provisions containing the former phrase similarly do not.

On the one hand, when Congress wishes to limit protection under the Act based on place of manufac-

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authorize any of the following "), 112(g), 113(b) ("This title does not afford, to the owner of copyright any greater or lesser rights *under the law*, whether title 17 or the common law or statutes of a State as held applicable and construed by a court in an action brought *under this title*."), 114(a)(4)(B) ("Nothing in this section annuls or limits in any way remedies available *under this title*"), 201(e) ("When an individual author's ownership of a copyright, or of any of the exclusive rights under a copyright, has not previously been transferred voluntarily by that individual author, no action by any governmental body or other official or organization purporting to seize, expropriate, transfer, or exercise rights of ownership with respect to the copyright, or any of the exclusive rights under a copyright, shall be given effect *under this title*, except as provided *under title 11*"), 203(b) ("Upon the effective date of termination, all rights under this title that were covered by the terminated grants revert to the author"), 301(c) ("no sound recording fixed before February 15, 1972, shall be subject to copyright *under this title* before, on, or after February 15, 2067."), 304(c)(6)(E) ("Termination of a grant *under this subsection* affects only those rights covered by the grant that arise *under this title*, and in no way affects rights arising under any other Federal, State, or foreign laws."), 502(a) ("Any court having jurisdiction of a civil action arising *under this title* may grant temporary and final injunctions"), 601(d) ("Importation or public distribution of copies in violation of this section does not invalidate protection for a work *under this title*."), 702 ("All regulations established by the Register *under this title* are subject to the approval of the Librarian of Congress.") (emphasis added).

ture, it does so clearly. *See* 17 U.S.C. §§ 401(a), 601; *Sebastian*, 847 F.2d at 1098 n.1. However, in section 104(b) of the Act, Congress used different terminology to indicate protection pursuant to the Act for certain U.S. copyrighted works, regardless of place of manufacture: "[t]he works specified by sections 102 and 103 [i.e., works covered by the Act] are *subject to protection under this title* if...(2) the work is first published in the United States or in a foreign nation that, on the date of first publication, is a treaty party..." 17 U.S.C. § 104(b) (emphasis added). That is, Congress knows how to and has specifically phrased the extension of protection under the Act—for manufacture consistent with the Act's requirements in order to merit the Act's protection—as opposed to lawful manufacture under the Act. At the same time, a geographic-specific interpretation of section 109 comports with the general rule that the Act does not have extraterritorial operation. *Update Art, Inc. v. Modiin Publ'g Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988). *Compare Quality King*, 523 U.S. at 145 n.14 (indicating that, as long as the goods are lawfully made under the Act, first sales abroad do not involve extraterritorial application of the Act).[21] Thus the statutory context does not resolve the issue.

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[21] Courts should be "hesitant to adopt an interpretation of a congressional enactment which renders superfluous another portion of that same law." *Kawaauhau v. Geiger*, 523 U.S. 57, 62 (1998) (citation and internal quotation marks omitted). While the court does not necessarily agree that with other courts that section 109(a) could, in combination with the Supreme Court's *Quality King* holding, completely subsume section 602(a), *see BMG Music*, 952 F.2d at 319-20, it is troubled by limiting section 602(a)(1)'s application to bailees and similar

(3) Legislative History

The legislative history surrounding sections 109 and 602 is also inconclusive. For example, in 1976, Congress, except with regard to copies irrelevant to this dispute, repealed the section of the Act preconditioning U.S. copyright protection on manufacture in the U.S. *See* H.R. Rep. No. 94-1476 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5780-85. Congress then banned imports of certain copyrighted materials. Some suggested that the ban only extend to "piratical copies." The 1961 Register's Report noted

> When arrangements are made for both a U.S. edition and a foreign edition of the same work, the publishers frequently agree to divide the international markets. The foreign publisher agrees not to sell his edition in the United States, and the U.S. publisher agrees not to sell his edition in certain foreign countries. It has been suggested that the import ban on piratical copies should be extended to bar the importation of the foreign edition in contravention of such an agreement.
>
> Some countries, including the United Kingdom, bar importation in this situation, apparently on the ground that, even though the copies were authorized, their sale in violation of a territorial limitation would be an infringement of the copy-

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possessors of copyrighted goods given the section's broad language.

> right. In the United States, there is no clear decision as to whether the sale of authorized copies beyond a territorial limitation is an infringement. But the import ban on "piratical copies" does not seem to apply to authorized copies.
>
> We assume, without considering the antitrust questions involved, that agreements to divide international markets for copyrighted works are valid and [enforceable] contracts as between the parties. But we do not believe that the prohibition against imports of piratical copies should be extended to authorized copies covered by an agreement of this sort. To do so would impose the territorial restriction in a private contract upon third persons with no knowledge of the agreement. And even as between the parties, Customs does not seem to be an appropriate agency for the enforcement of private contracts.

Copyright Law Revision: Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 87th Cong., 1st Sess., 125-126 (H. R. Judiciary Comm. Print 1961). Thus, the Register's Report recommended *against* extending the Act to protect the market-allocation contracts. However, Congress, in crafting subsections (a) and (b) of section 602, did *not* limit the Act's prohibition merely to "piratical copies."[22] Arguably, by implication, Congress

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[22] As the Supreme Court in *Quality King* noted, when discussing the drafting of the 1976 Act, some Congressmen in fact were concerned about foreign manufacturers breaking contracts and selling foreign-made U.S. copyrighted materials in

intended to statutorily enforce geographically-limited assignment and license agreements.

But the 1976 House Report's explanation of section 109(a) did not mention the place of manufacture of U.S.-copyrighted materials and, instead, generally stated that "where the copyright owner has transferred ownership of a particular copy of a work, the person to whom the copy is transferred is entitled to dispose of it by sale, rental, or any other means." H.R. Rep. No. 94-1476 at 79, *reprinted in* 1976 U.S.C.C.A.N. at 5693. Further, according to the House Report, "[t]his does not mean that conditions on future disposition of copies...imposed by a contract between their buyer and seller [] would be unenforceable between the parties as a breach of contract, but it does mean that they could not be enforced by an action for infringement of copyright." *Id.* Thus, it appears that Congress, in some circum-

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the United States. *See* Copyright Law Revision Part 4: Further Discussions and Comments on Preliminary Draft for Revised U.S. Copyright. Law, 88th Cong., 2d Sess., 119 (H. R. Judiciary Comm. Print 1964) (statement of Mrs. Pilpel) ("For example, if someone were to import a copy of the British edition of an American book and the author had transferred exclusive United States and Canadian rights to an American publisher, would that British edition be in violation so that this would constitute an infringement under this section?"); *see also id.*, at 209 (statement of Mr. Mange) (the situation is "a troublesome problem that confronts U.S. book publishers frequently"; "Now it's alright to say, 'Let the American publisher protect his right by an action for breach of contract,' but that isn't so easy. In the first place it is almost always impractical financially. And, second of all, it is extremely difficult and sometimes impossible to find out who is the person that should be sued.").

stances, would leave the enforcement of distribution agreements to the parties involved.

Additionally, it is unclear whether Congress intended the language provided in section 109(a) to limit, rather than simply to codify, *Bobbs-Merill's* elucidation of the "first sale" principle. *Quality King*, 523 U.S. at 152 ("There is no reason to assume that Congress intended either § 109(a) or the earlier codifications of the doctrine to limit its broad scope."). Therefore, reading section 109(a) to limit the reach of the right of first sale could be an artificial exercise.

(4) Public Policy

Likewise, the policy behind the Act supports either interpretation of section 109(a). Persuasive policy arguments exist for the expansive reach of section 109(a). For example, in common law and in the Uniform Commercial Code, the validity of sales of goods does not depend upon place of manufacture. *See* 2 *Nimmer on Copyrights* § 8.12[B] [6][a] & n. 110 (noting *Cosmair. Inc. v. Dynamite Enters.*, No. 85-0651-Civ-Hoeveler, 1985 U.S. Dist. LEXIS 20922, at *9-10 (S.D. Fla. Apr. 9, 1985)). Similarly, the policy behind the first sale itself, reflecting the hesitancy to allow a seller to "impose...a limitation at which the book shall be sold at retail by future purchasers, with whom there is no privity of contract," *Bobbs-Merrill*, 210 U.S. at 350, is equally as applicable to goods manufactured in the U.S. as to foreign-manufactured goods. *See also Liu* 2009 U.S. Dist. LEXIS 88569, at *17.

However, other considerations point the court in the opposite direction. The Act serves to protect a U.S. copyright holder from infringing imports and sales of products subject to its U.S. copyright, insofar as these imports and sales do not occur with its authorization or by operation of law. In contrast to its "first sales" in the United States, *Bobbs-Merrill*, 210 U.S. at 350 ("one who has sold a copyrighted article, without restriction, has parted with all right to control the sale of it"), a U.S. copyright holder is instead one step removed from the first sale abroad. Although a U.S. copyright holder does have a cause of action against a licensee foreign manufacturer, should said manufacturer choose to import the manufactured goods or sell to an unauthorized distributor, the same cannot be said for those to whom the manufacturer sells its goods. No privity of contract exists between the manufacturer and the subsequent buyer of the goods. In such a case, a foreign distributor can act, for its own advantage, as an arbitrageur and effectively bypass the contractual agreement by selling the goods in the U.S. market. Given the 1976 *increased* protection afforded U.S. copyright holders who decide to print abroad, it would not seem consistent with Congressional intent to retrench U.S. copyright holder's rights in this manner.

Furthermore, the Act should not be read to limit access to copyrighted materials.[23] If Kirtsaeng's posi-

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[23] Second- or third-degree geographic price discrimination can impose an "export subsidy" on U.S. consumers and encourage rent-seeking behavior and the use of government resources to protect against arbitrage. *See* Michael J. Muerer, *Copyright Law and Price Discrimination*, 23 Cardozo L. Rev. 55, 143-44

tion were adopted, U.S. copyright holders would have less incentive to license the printing of lower-priced editions in foreign countries as they would, in effect, lose U.S. copyright protection for, and profits on, their higher-priced U.S. works. Within the context of U.S. cooperation by way of copyright treaties with other countries, including Thailand,[24] and the potential to disrupt the availability of U.S. copyrighted educational and other literary materials in foreign nations, the court is uncomfortable with a result that limits the protection of the U.S. copyright holder. The intent of copyright protection seems to be, fundamentally, to encourage, rather than discourage, the broad publication of U.S.-copyrighted works.

(5) Quality King *Dicta*

Ultimately, the court is persuaded by the dicta in *Quality King*, which would limit section 109(a)'s cov-

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(2001). Yet in the case of goods arguably of high social utility, the overall social benefits of increasing access to such goods abroad by selling these goods at lower prices in foreign markets may outweigh the costs. *Cf. id.* at 144 (discussing prescription drugs); R. Polk Wagner, *Information Wants to Be Free: Intellectual Property and the Mythologies of Control*, 103 Colum. L. Rev. 995, 1027 (2003) (discussing "informational" goods).

[24] "The United States and Thailand, as members of the World Trade Organization, are members of the TRIPS (Trade-Related Aspects of Intellectual Property Rights) Agreement. *See* World Trade Organization, Understanding the WTO: the Organization, Members and Observers http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm (last visited Oct. 13, 2009).

erage to U.S.-manufactured goods. The Court stated that "§ 602(a) [would] appl[y] to a category of copies that are neither piratical nor 'lawfully made under this title." *Quality King*, 523 U.S. at 147. This particular category "encompasses copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country." *Id.*

Based upon its analysis of the language of the 1961 Register's Report, *see supra*, as well as a subsequent 1964 panel discussion on market allocation agreements, the Court reasoned

> Even in the absence of a market allocation agreement between, for example, a publisher of the United States edition and a publisher of the British edition of the same work, each such publisher could make lawful copies. If the author of the work gave the exclusive United States distribution rights—enforceable under the Act—to the publisher of the United States edition and the exclusive British distribution rights to the publisher of the British edition, however, presumably only those made by the publisher of the United States edition would be "lawfully made under this title" within the meaning of § 109(a). The first sale doctrine would not provide the publisher of the British edition who decided to sell in the American market with a defense to an action under § 602(a) (or, for that matter, to an action under § 106(3), if there was a distribution of the copies).

Id. at 148 (footnote omitted). Thus, the Court indicated that only books manufactured and published in the United States are "lawfully made" under U.S. law and subject to the "first sale" defense provided in section 109.

Although the Second Circuit has not analyzed the exact circumstances as those currently before the court, a majority of courts addressing this issue have reached conclusions consistent with the *Quality King dicta* and contrary to Kirtsaeng's position. *See supra* note 16; *Liu*, 2009 U.S. Dist. LEXIS 88569, at *23-27 (following *Quality King* despite disagreement with its interpretation of sections 109(a) and 602(a)); 2 *Nimmer on Copyright* § 8.12[B][6][c]. *But see supra* note 17; *Red Baron*, 1988 U.S. Dist. LEXIS 15735, at *9-10; *Sebastian*, 847 F.2d at. 1098 (expressing disapproval of *Scorpio* analysis); *Cosmair. Inc.*, 1985 U.S. Dist. *LEXIS* 20922, at *9-10 (same).

Quality *King* thus determines the appropriate outcome in this case. Accordingly, the court concludes that the Supreme Court's unambiguous language, though *dicta*, is sufficient to resolve the uncertainties in interpreting the Act. Although this is perhaps an imperfect solution, given the valid concerns raised in both readings of sections 109 and 602, the court nonetheless will not extend section 109(a) to cover foreign-manufactured goods.[25]

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[25] Despite the reasoning in *Quality King*, the court is concerned about the institution of a bright-line rule here, if such a rule is taken to its logical conclusion. Should "lawfully made under this title" apply only to domestically-manufactured goods, this

E. Application

There is no indication that the imported books at issue here were manufactured pursuant to the U.S. Copyright Act nor has Kirtsaeng presented any evidence on this issue. To the contrary, the textbooks introduced as evidence purport, on their face, to have been published outside of the United States. In addition, the assignment provides Wiley Asia only the rights to print, publish, and sell the textbooks in the

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results in the phenomenon that, once imported, the goods manufactured abroad could provide the U.S. copyright holder with never-ending section 106(3) "exclusive distribution" protection against any subsequent sale, no matter how legitimate. *See* 2 *Nimmer on Copyrights* § 8.12 [B] [6] [a]. In other words, every time the owner of the imported goods sold such goods, he or she would be subject to liability for copyright infringement, regardless of how far that sale is removed from the first sale after importation. Some courts have limited the extent of liability for illegal importation, pursuant to section 602(a), to those involved in the first U.S. sale, *see, e.g.*, *Parfums Givenchy*, 38 F.3d at 481, or merely those importing the goods. *See, e.g.*, *Enesco Corp. v. Jan Bell Mktg.*, 992 F. Supp. 1021, 1023 (N.D. Ill. 1998). The latter interpretation is more in line with the language of section 602(a). *See infra* note 24. But these cases do not explain how section 106(3) liability could be cabined, and, indeed, the court can find no statutory support for imposing such a limitation.

However, the court does not have before it the particular question as to how far liability for violations of these sections could extend, but notes that the extension of such liability is not so absurd a result so as to counsel the court to ignore the *dicta* in *Quality King*. Further, individual importers and users of copyrighted materials printed abroad have some defenses available to a U.S. copyright holder's action. *See, e.g.*, 17 U.S.C. § 107; *id.* 602(a)(2).

territories, thus giving Wiley Asia, at best, copyrights under the laws of the countries existing within the territories. Wiley itself has retained all U.S. copyrights—as a consequence, the imported textbooks at issue could not have been manufactured "under" Title 17 of the U.S. Code. Thus, should Plaintiff establish his case, Kirtsaeng may not rely on a first sale and therefore may incur liability for violation of section 602(a)[26] and/or section 106(3).

III. Kirtsaeng's Remaining Arguments in Support of a "First Sale" Defense

Kirtsaeng also asserts that Wiley's assignment of its Asian copyrights to Wiley Asia deprives Wiley of its right to enforce its section 106(3) exclusive U.S.

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[26] The plain language of section 602(a) only prevents unauthorized "importation" of U.S. copyrighted works. 17 U.S.C. § 602(a). "Importation" is defined as "[t]he bringing of goods into a country from another country." *Black's Law Dictionary* 824 (9th ed. 2009). *Accord Webster's II New Riverside University Dictionary* 614; *Enesco Corp.*, 992 F. Supp. at 1023. A defendant can nevertheless be held vicariously liable for copyright infringement if the defendant has (1) a "right and ability to supervise" infringing conduct and (2) an "obvious and direct financial interest..." *Softel, Inc. v. Dragon Med. & Scientific Commc'ns, Inc.*, 118 F.3d 955, 971 (2d Cir. 1997) (quoting *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963)); see also 3 *Nimmer on Copyright* § 12.04[A][2]. Similarly, liability for contributory infringement involves participation in actions that contribute to infringement. *Matthew Bender & Co. v. West Publ'g Co.*, 158 F.3d 693, 706 (2d Cir. 1998); *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971); 3 *Nimmer on Copyright* § 12.04 [A][3]. The court leaves Plaintiff to prove, at trial, Kirtsaeng's section 602(a) liability.

distribution rights. Kirtsaeng appears to make two arguments here: (1) that Wiley "waived" its rights to exclusive distribution in the U.S. when it assigned the Asian copyright in an agreement that did not prohibit importation into the U.S. and (2) that somehow Wiley's assignment to Wiley Asia constituted a "first sale" pursuant to section 109(a). The Court has already disposed of Wiley's first argument by reading the Reprint Agreement to prevent sales of foreign editions outside of the territories, thereby preserving Wiley's exclusive U.S. distribution rights. Because Kirtsaeng has produced no evidence other than Wiley's Reprint Agreement, Kirtsaeng's waiver argument has no substance. As a matter of law, therefore, Kirtsaeng's waiver argument fails on the record before the court.

Kirtsaeng's second argument also fails. The Second Circuit has, in certain circumstances, held that a license to use a U.S. copyright can amount to a first sale. *See Bourne v. Walt Disney Co.*, 68 F.3d 621, 631-33 (2d Cir. 1995). In *Bourne*, the plaintiff granted Disney "various licenses to copyrighted compositions." *Id.* at 631. Plaintiff Bourne objected to Disney's "right to sell or publicly distribute the videocassettes that it produced." *Id.* The court ruled that the license agreement protected Disney under the first sale doctrine to "transfer the resulting videocassettes as it sees fit." *Id.* at 632. However, the *Bourne* license agreement did not contain a limit on sales and distribution, and instead granted Disney broad rights to the copyrighted materials. *Id.* at 624-25 (license agreement granted Disney "the right to record...such music...the right to ship, import and

export...any and all such mechanical recordings throughout the world, but only in connection with [Disney's] pictures...") (italics omitted). Further, because all the transactions and manufacturing of the videos at issue took place in the United States, the issue of the section 109 language never arose.[27] As such, *Bourne* does not control this case

IV Standing

Finally, Kirtsaeng reasons that Wiley lacks standing to bring this action, and that the true party in interest here is Wiley Asia. ([Revised] Joint Pre-trial Order, Sched. F-2, ¶ 2.) This argument is also without merit. The issue is the importation—not the exportation—of the books for sale in the U.S., and therefore the pertinent issue in this action is whether the U.S. copyright was infringed upon. Wiley, who, despite its assignment of Asian copyrights to

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[27] The relevant license agreements were executed prior to the 1976 statutory revision. The pre-1976 language provided that "nothing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work *the possession of which has been lawfully obtained.*" Copyright Act of 1909 § 41, 35 Stat. at 1084; Copyright Act of 1947 § 27, 61 Stat. at 660 (emphasis added). Clearly, Disney lawfully obtained the videos it created pursuant to the copyright license, so Disney satisfied the requirements. Moreover, section 101 of the Act now defines "transfer of copyright ownership" as including "an assignment...[or] exclusive license..." 17 U.S.C. § 101. This language materially differs from section 109(a) which applies to "the *owner of a particular copy*...lawfully made under this title." *Id.* § 109(a) (emphasis added). Section 202 also notes the distinction between the transfer of copyright ownership and the transfer of a particular copy of a work subject to copyright. *See id.* § 202.

Wiley Asia, is still the owner of the U.S. copyright and has standing to sue Kirtsaeng for infringement.

V Conclusion

In light of the court's analysis, described above, of Kirtsaeng's proposed defenses in this action, it is hereby:

- ORDERED that Kirtsaeng is prohibited as a matter of law from raising a defense pursuant to the "first sale" doctrine; and it is hereby
- ORDERED that Kirtsaeng is prohibited as a matter of law from raising a defense pursuant to waiver; and it is hereby
- ORDERED that Kirtsaeng is prohibited as a matter of law from raising a defense claiming lack of plaintiff's standing to bring this lawsuit.

Donald C. Pogue, Judge[28]

Dated: October 19, 2009
New York, New York

[28] Judge Donald C. Pogue of the United States Court of International Trade, sitting by designation.

Supreme Court, U.S.
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No. 15-375

IN THE
Supreme Court of the United States

SUPAP KIRTSAENG, DBA BLUECHRISTINE99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

On Petition For a Writ of Certiorari
to the United States Court of Appeals
for the Second Circuit

BRIEF IN OPPOSITION

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The petition for certiorari filed in this case offers no persuasive reason for the Court to review the Second Circuit's fact-specific decision to uphold the district court's discretionary denial of Petitioner's motion for attorney's fees. There is no basis for the claim that the circuits need guidance, or for the claim that the Second Circuit went wrong in emphasizing the objective reasonableness of the lawsuit pursued here by Respondent John Wiley & Sons, Inc.

STATEMENT

Section 505 of the Copyright Act provides that a district court "in its discretion may allow the recovery" of attorney's fees. 17 U.S.C. § 505. In *Fogerty v. Fantasy, Inc.*, this Court held that copyright infringement plaintiffs and defendants are to be treated in an "evenhanded" manner under section 505. 510 U.S. 517, 534 (1994). Relevant considerations include, but are not limited to, "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." *Id.* at 534 n.19 (quoting *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151, 156 (1986)). "[S]uch factors may be used to guide courts' discretion, so long as such factors are faithful to the purposes of the Copyright Act and are applied to prevailing plaintiffs and defendants in an evenhanded manner." *Id.*

The policies served by the Copyright Act are "complex" and "measured." *Id.* at 526. American courts have long relied on equitable principles and fact-intensive inquiries to be faithful to the Founders'

careful balance between protection for economic incentives to create and public access to the fruits of America's creativity. *See Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) ("The limited scope of the copyright holder's statutory monopoly, like the limited copyright duration required by the Constitution, reflects a balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts." (footnote omitted)). Congress explicitly protects the district courts' equitable discretion in the text of section 505. *See Fogerty*, 510 U.S. at 533 ("The statute says that 'the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.' The word 'may' clearly connotes discretion."). In *Fogerty*, this Court reaffirmed the equitable and fact-dependent nature of the district courts' inquiry: "'There is no precise rule or formula for making these determinations,' but instead equitable discretion should be exercised '" *Id.* at 534 (quoting *Hensley v. Eckerhart*, 461 U.S. 424, 436-37 (1983)).

In this case, Petitioner sought more than $2 million in fees, nearly all of which had been incurred by Petitioner's Supreme Court counsel who had agreed to represent Petitioner without charging him anything. The district court considered all of the *Fogerty* factors, and additional factors raised by Petitioner, and determined that a fee award in favor of Petitioner, the prevailing defendant, was not warranted. Pet. App. at 12a-24a. A significant part of its analysis focused on the

conclusion that Respondent's decision to bring this suit was objectively reasonable. *Id.* at 12a-14a. Indeed, that was indisputable. The legal theory underlying this case—that it constituted copyright infringement for Petitioner to purchase copies of books in Thailand and resell them in the United States—was the subject of a recent case in which this Court had split 4-4. *See Costco Wholesale Corp. v. Omega S.A.*, 562 U.S. 40 (2010). Given the unsettled state of the law, it could hardly have been unreasonable to bring this case.

As a result, the district court concluded that an award of attorney's fees, where the amount at stake was relatively small and Respondent knew it had a substantial chance of not ultimately prevailing, would punish the decision to bring the case, which was in turn the linchpin of the sequence of events through which the legal issue at stake was finally clarified. Pet. App. at 12a. ("[A] court should not award attorneys' fees where the case is novel or close because such a litigation clarifies the boundaries of copyright law and neither prospective plaintiffs nor prospective defendants should be discouraged from litigating in such circumstances, regardless of which party ultimately prevails." (internal quotation marks and citation omitted)). After taking that reality into account and then weighing all of the other *Fogerty* factors and finding that they did not favor a fee award, the court quite reasonably decided that any such award would disserve the policies of the Copyright Act. Pet. App. at 12a-17a. The Second Circuit easily affirmed. Pet. App. at 5a (summary order).

Now Petitioner is asking this Court to grant review, claiming that the circuits need further guidance, and that the courts below should have given greater weight to the fact that Petitioner prevailed in this case. As we show, the argument for review here is completely unpersuasive.

REASONS FOR DENYING THE PETITION

Seeking to persuade the Court to review a fact-specific application of *Fogerty*, Petitioner spins out a description of an elaborate multi-faceted circuit split, combining a caricature of the law of the Second Circuit with exaggerated descriptions of differences with other circuits. Petitioner's disappointment with the district court's decision, and the resulting inability of his counsel to recoup the costs of the free representation they provided in this case, is perhaps understandable. But disappointment is not a basis for a grant of certiorari. And Petitioner's claimed circuit splits are largely imaginary results of Congress's grant of discretion to the district courts and this Court's elaboration of a multi-factor test to guide that discretion, combined with a deferential abuse-of-discretion standard of appellate review. Moreover, to the extent there is a real circuit split, this case would not be an appropriate vehicle for addressing it. The petition should be denied.

I. There Is No True Circuit Split for this Court to Resolve Here.

The petition tries unsuccessfully to repackage various courts' applications of a fact-intensive discretionary standard as an extensive series of circuit

splits. In so doing, Petitioner cites quite a few cases, but they amount to examples of district courts using their best judgment about how to further the interests of the Copyright Act in the equitable multi-factor manner approved by this Court in *Fogerty*. Moreover, the Second Circuit hardly stands out in the way it deals with these legal issues.

Petitioner's central assertion is that the Second Circuit is an outlier among federal appellate courts with regard to the substantial weight it places on the "objective reasonableness" factor from *Fogerty*. *See* Pet. at 2. But the Second Circuit explicitly derived this standard from examining the approaches of other federal appellate courts. The leading case applying section 505 and *Fogerty* in the Second Circuit is *Matthew Bender & Co. v. West Publishing Co.*, 240 F.3d 116 (2d Cir. 2001). In *Matthew Bender*, the Second Circuit observed that several of its sister circuits "have accorded the objective reasonableness factor substantial weight" when applying section 505. *Matthew Bender*, 240 F.3d at 121 (discussing decisions from the First, Fourth, Seventh, and Ninth Circuits). The court was persuaded by these decisions and concluded that "[t]his emphasis on objective reasonableness is firmly rooted in *Fogerty*'s admonition that any factor a court considers in deciding whether to award attorneys' fees must be 'faithful to the purposes of the Copyright Act.'" *Id.* at 122 (quoting *Fogerty*, 510 U.S. at 534 n.19). As a result, the Second Circuit's approach that places "substantial weight" on the objective reasonableness factor is not in a departure from other circuits but in line with them.

Indeed, a review of section 505 cases reveals that every circuit emphasizes objective reasonableness.[1] For example, the First Circuit frequently grounds its fee-award decisions in that consideration. *See, e.g.*, *Latin Am. Music Co. v. Am. Soc'y of Composers, Authors & Publishers*, 629 F.3d 262, 263 (1st Cir. 2010) ("A showing of frivolity or bad faith is not required; rather, the prevailing party need only show that its opponent's copyright claims or defenses were 'objectively weak.'"); *Airframe Sys., Inc. v. L-3 Comm'ns Corp.*, 658 F.3d 100, 108-09 (1st Cir. 2011) (explaining that fees should be awarded "if the opposing party's claims are 'objectively quite weak.'"); *Garcia-Goyco v. Law Envtl. Consultants, Inc.*, 428 F.3d 14, 20 (1st Cir. 2005) ("In the past, this court has applied the *Fogerty* factors in affirming awards of attorney's fees where the plaintiff's copyright claim was neither frivolous nor instituted in bad faith. Thus, the award of fees has been approved where the claim was 'objectively weak.'"); *Lotus Dev. Corp. v. Borland Int'l, Inc.*, 140 F.3d 70, 75 (1st Cir. 1998) ("When close infringement cases are litigated, copyright law benefits from the resulting clarification of the doctrine's boundaries. But because novel cases require a plaintiff to sue in the first place, the need to encourage meritorious defenses is a factor that a district court may balance against the potentially chilling effect of imposing a large fee award on a

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[1]The D.C. Circuit is excepted because, from our research, the D.C. Circuit has not rendered more than a handful of decisions discussing section 505 and *Fogerty*, and none that is directly relevant.

plaintiff, who, in a particular case, may have advanced a reasonable, albeit unsuccessful, claim.").

Similarly, the Third Circuit, the origin of the *Lieb* factors approved in *Fogerty*, was the first to discuss "objective unreasonableness" under section 505 and has relied heavily on objective reasonableness in determining whether a fee award would serve the purposes of the Copyright Act. *See, e.g., TDD Enters., Inc. v. Yeaney*, 83 F App'x 492, 494 (3d Cir. 2003) (affirming an award of attorney's fees because the unsuccessful parties "lack[ed] an objectively reasonable or good-faith basis" for their arguments). And the Fourth Circuit has also adopted the four *Lieb* factors approved in *Fogerty*, including objective reasonableness, and has explained that a finding of objective unreasonableness is often decisive. *See, e.g., Bond v. Blum*, 317 F.3d 385, 397-98 (4th Cir. 2003) (affirming a district court's award of attorney's fees against a party whose claims were "unreasonable" in multiple ways); *Diamond Star Bldg. Corp. v. Freed*, 30 F.3d 503, 506 (4th Cir. 1994) ("[T]he objective reasonableness factor strongly weighs in favor of awarding attorney's fees and costs to [the prevailing party]. Indeed, when a party has pursued a patently frivolous position, the failure of a district court to award attorney's fees and costs to the prevailing party will, except under the most unusual circumstances, constitute an abuse of discretion."); *see also Drive In Music Co. v. Killette*, 213 F.3d 631, 2000 WL 432365, at *4 n.7 (4th Cir. 2000) (unpublished table decision) (awarding attorney's fees against a party whose claims were "objectively unreasonable" in multiple ways).

The Fifth, Sixth, Eighth, and Ninth Circuits have also focused on the "objective reasonableness" factor both in deciding to award and to deny attorney's fees. *See, e.g., Virgin Records Am., Inc. v. Thompson*, 512 F.3d 724, 726-27 (5th Cir. 2008) (affirming the district court's denial of attorney's fees to a prevailing defendant because "Plaintiffs' lawsuit was not frivolous or objectively unreasonable" and because "[t]hese Plaintiffs should not be deterred from bringing future suits to protect their copyrights because they brought an objectively reasonable suit"); *Bridgeport Music, Inc. v. WB Music, Corp.*, 520 F.3d 588, 593 (6th Cir. 2008) (balancing the "objective reasonableness" of an unsuccessful party's legal theory against all other factors and describing the case as "one of the rare instances in which a district court orders a party to pay attorney's fees and costs in spite of finding that the party advanced an objectively reasonable legal claim or theory"); *Zomba Enters., Inc. v. Panorama Records, Inc.*, 491 F.3d 574, 589 (6th Cir. 2007) (affirming an award of attorney's fees "given the unreasonableness of [the unsuccessful party's] positions and the need to deter such conduct"); *Action Tapes, Inc. v. Mattson*, 462 F.3d 1010, 1014 (8th Cir. 2006) (affirming a denial of attorney's fees because the unsuccessful plaintiffs "raised important and novel issues under [a] seldom-litigated" statutory provision); *Hendrickson v. Amazon.com, Inc.*, 181 F App'x 692, 693 (9th Cir. 2006) ("We are not persuaded that [the plaintiff's] action was frivolous or objectively unreasonable, or that he or others will be deterred from baseless litigation by the award of attorney's fees in the unusual circumstances of this case. We therefore vacate the attorney's fees

awards [to the defendants]." (internal citations omitted)).

The Eleventh Circuit has emphasized the importance of the objective reasonableness of a plaintiff's claims, especially in an uncertain area of copyright law such as the first-sale doctrine at issue in this case: "The touchstone of attorney's fees under § 505 is whether imposition of attorney's fees will further the interests of the Copyright Act, *i.e.*, by encouraging the raising of objectively reasonable claims and defenses, which may serve not only to deter infringement but also to ensure 'that the boundaries of copyright law [are] demarcated as clearly as possible' in order to maximize the public exposure to valuable works." *MiTek Holdings, Inc. v. Arce Engineering Co.*, 198 F.3d 840, 842-43 (11th Cir. 1999 (citations omitted) (alternation in original)). And the Tenth Circuit has taken a similar approach in denying attorney's fees to a prevailing defendant: "Defendants' request for the costs and attorneys fees associated with this appeal is denied. Far from being frivolous, this suit presents a novel and consequential question focused on the copyrightability of images in a relatively new technological medium." *Meshwerks, Inc. v. Toyota Motor Sales, Inc.*, 528 F.3d 1258, 1270 n.11 (10th Cir. 2008).

Even the Seventh Circuit, which stands out from all other circuits in applying a presumption in favor of attorney's fees, has emphasized objective reasonableness, in one case reversing a district court's failure to award attorneys' fees as an abuse of discretion when the unsuccessful party's claims were

"objectively unreasonable" in multiple ways. *See Budget Cinema, Inc. v. Watertower Assocs.*, 81 F.3d 729, 732-33 (7th Cir. 1996).

II. Petitioner Distorts the Decisions of the Second Circuit Applying *Fogerty*.

In an attempt to conjure up an argument for this Court's review, Petitioner also claims that the substantial weight the Second Circuit places on the *Fogerty* factor of "objective unreasonableness" is a departure from *Fogerty*. Pet. at 16. The reality is quite different. As the Second Circuit explained in *Matthew Bender*, its "emphasis on objective reasonableness is firmly rooted in *Fogerty*'s admonition that any factor a court considers in deciding whether to award attorneys' fees must be 'faithful to the purposes of the Copyright Act.'" 240 F.3d at 121-22 (quoting *Fogerty*, 510 U.S. at 534 n.19). Since deciding *Matthew Bender*, the Second Circuit has consistently applied the "objective reasonableness" factor only as a means to achieve the purposes of the Copyright Act under section 505, including in this case. Pet. App. at 4a. ("[A]s we explained [in *Matthew Bender*], 'the imposition of a fee award against a copyright holder with an objectively reasonable litigation position will generally not promote the purposes of the Copyright Act.'"). Because objectively *unreasonable* arguments do not serve the purpose of clarifying copyright law, it is no surprise that the Second Circuit—and many of its sister circuits—emphasize this factor among others when applying *Fogerty*. Therefore, the substantial weight the Second Circuit places on whether a party's actions and arguments were objectively unreasonable is, in that

court's own words, in compliance with *Fogerty*'s instruction to "further the purposes of the Copyright Act" by incentivizing parties to make reasonable arguments in areas of copyright law that are ambiguous or vague enough that reasonable minds can disagree. While Petitioner's defenses may have furthered these purposes, so did Respondent's claims, and it is within the district court's discretion to decide how to strike the right incentives balance under section 505.

Nor is it accurate to suggest that the "objective reasonableness" factor outweighs all others in the Second Circuit or creates some sort of improper presumption. That court has made clear that objective reasonableness can be outweighed by other factors and that awards may be granted because of factors other than objective reasonableness. *See Zalewski v. Cicero Builder Dev., Inc.*, 754 F.3d 95, 108 (2d Cir. 2014) (reversing a district court's award of fees on the basis that plaintiff's claims were objectively unreasonable but remanding because plaintiffs' "conduct might warrant an award of attorney's fees under the Copyright Act based on other factors"); *Matthew Bender*, 240 F.3d at 122 ("This [substantial weight] is not to say, however, that a finding of objective reasonableness necessarily precludes the award of fees. In an appropriate case, the presence of other factors might justify an award of fees despite a finding that the nonprevailing party's position was objectively reasonable."); *Viva Video, Inc. v. Cabrera*, 9 F App'x 77, 80 (2d Cir. 2001) (explicitly affirming a fee award on the basis of bad faith rather than objective

unreasonableness); *cf. Effie Film, LLC v. Murphy*, No. 14-3367, ___ F App'x ___, 2015 WL 6079993 at *1 (2d Cir. Oct. 16, 2015) (reversing a district court's fee decision that "cited no other factors [other than objective unreasonableness]"); *L.A. Printex Indus., Inc. v. Pretty Girl of Cal., Inc.*, 543 F App'x 106, 106-07 (2d Cir. 2013) (approving the district court's application of multiple *Fogerty* factors); *Bauer v. Yellen*, 375 F App'x 154, 156 (2d Cir. 2010) (same). And the Second Circuit has explicitly rejected the use of a presumption as contrary to the discretionary standard created by the language of section 505. *See, e.g., Lava Records, LLC v. Amurao*, 354 F App'x 461, 462-63 (2d Cir. 2009) ("[T]o create, as Amurao asks, a presumption that in a certain type of copyright case a prevailing defendant should receive attorneys fees as a matter of course would be contrary to the statutory language [of § 505] as construed by the Supreme Court and this Court.").

Thus, here, the district court did not rely on "objective reasonableness" alone or rely on a presumption. The court specifically considered and applied all four *Fogerty* factors. Pet. App. at 12a-17a. This analysis was careful, fact-specific, and focused on how the facts and incentives at play in this case related to the purposes of the Copyright Act. *See, e.g., id.* at 16a ("[C]onsiderations of compensation and deterrence also do not weigh in favor of a fee award in this case. With regard to compensation, the evidence shows that Kirtsaeng has not in fact paid, and is not obligated to pay, most of the legal fees sought. Kirtsaeng's need for compensation for his legal defense in this case is tempered by his victory—he may now continue his

arbitrage business free of the fear of incurring copyright liability."). Then, in affirming the district court, the Second Circuit specifically cited that court's thorough analysis of the four factors and rejected Petitioner's claim that the district court had "fixated" on objective reasonableness. *Id.* at 4a ("Moreover, there is no merit to the appellant's contention that the district court 'fixated' on John Wiley & Sons' objective reasonableness at the expense of other relevant factors.

To the contrary, the district court expressly recognized that *Matthew Bender* 'reserved a space for district courts to decide that other factors may outweigh the objective unreasonableness factor.'" (internal citation omitted) (ellipsis in original)).

Petitioner also claims that the Second Circuit has secretly returned to a pre-*Fogerty* dual standard for fee awards. Pet. at 24-25. But in fact, the weight the Second Circuit places on objective reasonableness is fully consistent with treating plaintiffs and defendants evenhandedly as *Fogerty* mandated. It encourages the presentation and litigation of reasonable arguments by both plaintiffs and defendants to clarify the law of copyright.

III. This Case Is not a Good Vehicle for Reviewing the Seventh Circuit's "Presumption" in Favor of Fee Awards.

As courts and commentators have observed, if any circuit departs from the others in its application of *Fogerty*, it is the Seventh Circuit, not the Second. The Seventh Circuit has explained that "'[s]ince *Fogerty* we have held that the prevailing party in copyright litigation is presumptively entitled to reimbursement of

its attorneys' fees." *Riviera Distrib., Inc. v. Jones*, 517 F.3d 926, 928 (7th Cir. 2008). But this case would not be a good vehicle for addressing that conflict. To begin with, Petitioner never argued below that a presumption in favor of awarding fees to prevailing parties is appropriate, so that issue is not properly presented. In the Second Circuit Petitioner noted his claims that the circuits diverge on these issues but did not urge that court to begin with a presumption in favor of an award.

Moreover, it is far from clear that the Seventh Circuit would come out differently in this case. Even if there were a presumption in favor of awarding fees to prevailing parties, it would only be a presumption, and such a presumption might very well be overcome in a case like this one. As noted, Respondent can hardly be faulted for raising a claim based on a legal theory that divided this Court 4-4. It did so in a case where the amount of money at stake was likely to be dwarfed by the cost of litigating the case. And it was Respondent's decision to bring this case, despite the legal uncertainty and the small stakes, that led to the clarification of the law. So if the Seventh Circuit's presumption is applied in a manner consonant with *Fogerty*'s call to further the purpose of the Act, it is likely to be overcome here.

In sum, the circuit splits described by Petitioner are vastly overstated. And to the extent there is a real circuit split, this would not be the case to address it.

CONCLUSION

For the foregoing reasons, the writ of certiorari should be denied.

Respectfully submitted,

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No. 15-375

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG, DBA BLUECHRISTINE99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

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INTRODUCTION

Wiley's opposition is as extraordinary for what it doesn't say as for what it does. Wiley does not dispute—and even admits, Opp. 9, 12, 13—that there is a circuit split regarding the standard for awarding attorneys' fees under the Copyright Act, 17 U.S.C. § 505. Specifically, Wiley concedes that "the Seventh Circuit ... stands out from all other circuits in applying a presumption in favor of attorney's fees." Opp. 9. Wiley does not dispute Kirtsaeng's showing that this is an issue of national importance, which this Court has previously concluded is worthy of its attention. *See* Pet. 28-31. And, Wiley's principal explanation for why this Court should nevertheless not grant cert is that even though Kirtsaeng objected below to the Second Circuit's rule as contrary to law, Kirtsaeng did not ask the Second Circuit to adopt the Seventh Circuit's presumption, when, as Wiley confesses, "the Second Circuit ha[d] explicitly rejected the use of a presumption." Opp. 12 (citing *Lava Records, LLC. v. Amurao*, 354 F App'x 461, 462-63 (2d Cir. 2009)). These concessions warrant this Court granting cert without reading another word.

Wiley's primary strategy is to argue that still other circuit splits are "imaginary" or, maybe, "vastly overstated." Opp. 4, 14. But Wiley fails to address, much less refute, our recitation of the courts of appeals' cases and holdings. Instead, after having already conceded there is a split, Wiley argues that any further split is "exaggerated," Opp. 4, based on a litany of cases where fee awards are approved because the losing party's claim is objectively *un*reasonable. Opp. 6-10. Of course they are. This Court in *Fogerty v. Fantasy, Inc.* identified objective unrea-

sonableness as a potentially relevant consideration. 510 U.S. 517, 534 n.19 (1994). It should come as no surprise that lower courts are uniform in awarding fees when the losing party's claim or defense is *un*reasonable. But that is not this case; Wiley's suit was reasonable. And that is not the disagreement in the courts of appeals. The courts are divided about when to award fees when the losing party's claim or defense was objectively *reasonable*.

The balance of Wiley's opposition argues that the Second Circuit's approach of placing "'substantial weight' on the objective reasonableness" of the losing party's losing argument, Opp. 5, is "faithful to the purposes of the Copyright Act," *Fogerty*, 510 U.S. at 534 n.19. Wiley's argument hinges on its erroneous assertion that the Second Circuit "incentiviz[es] parties to make reasonable arguments." Opp. 11. It doesn't. By awarding fees when a party's claims or defenses are *un*reasonable, the Second Circuit disincentivizes parties from making unreasonable arguments and provides safe harbor for parties who made reasonable ones. There is nothing wrong with that in and of itself. Pet. 24. But the Second Circuit wrongly focuses on the losing party and its arguments. This Court has held that courts should consider the prevailing party and "encourag[ing]" *prevailing* parties "to litigate meritorious claims" and defenses. *Fogerty*, 510 U.S. at 527 Absent such incentives, parties—particularly impecunious parties like Kirtsaeng—may be forced to "throw in the towel" because they cannot afford to litigate their meritorious claims or defenses to successful conclusion. *Assessment Techs. of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 437 (7th Cir. 2004).

I. The Courts Of Appeals Are Hopelessly Split.

A. Wiley concedes that the Seventh Circuit splits with nearly all of the other courts of appeals by employing a presumption in favor of fee awards. Opp. 9. Wiley does not dispute that the Fifth Circuit applies the same presumption. Indeed, the Fifth Circuit case cited by Wiley (at 8) repeatedly reiterates that fee awards in Copyright cases are "the rule rather than the exception and [that fees] should be awarded routinely." *Virgin Records Am., Inc. v. Thompson*, 512 F.3d 724, 726 (2008) (quotation marks omitted). Wiley does not disagree that such a presumption is in stark contrast to the Second Circuit's approach emphasizing objective unreasonableness. Pet. 16.

That the Seventh Circuit reversed a district court's failure to award fees when the losing party's claim was *un*reasonable, Opp. 9-10 (discussing *Budget Cinema, Inc. v. Watertower Assocs.*, 81 F.3d 729, 732-33 (1996)), does not undermine the Seventh Circuit's presumption. As explained (at 1-2), that case is inapposite because the issue here is the award of fees when the losing party's claim or defense was reasonable. In any event, applying the presumption in favor of fee awards, the Seventh Circuit awards fees even when the losing party's claim or defense was reasonable. *HyperQuest, Inc. v. N'Site Sols., Inc.*, 632 F.3d 377, 387 (7th Cir. 2011) (affirming defendant's fee award even though plaintiff's "suit was filed in good faith and had some merit").

B. The Ninth and Eleventh Circuits award fees if the prevailing party's claim or defense furthered the interests of the Copyright Act. Pet. 11-13 (discussing *Fantasy, Inc. v. Fogerty*, 94 F.3d 553 (9th Cir. 1996);

MiTek Holdings Inc. v. Arce Eng'g Co., 198 F.3d 840, 842-43 (11th Cir. 1999)).

The Eleventh Circuit in particular holds that "[t]he *touchstone* of attorney's fees under § 505 is *whether imposition of attorney's fees will further the interests of the Copyright Act, i.e.*, by encouraging the raising of objectively reasonable claims and defenses." *MiTek Holdings*, 198 F.3d at 842-43 (emphasis added) (vacating district court for "not assess[ing] whether imposition of attorney's fees would further the goals of the Copyright Act"). Wiley's only response is to misread *MiTek*, badly, to say that the passage of *MiTek* quoted above "emphasize[s] the importance of ... objective reasonableness." Opp. 9. It doesn't. *MiTek*'s reference to "objectively reasonable claims and defenses" is about encouraging such arguments through fee awards, not assessing whether the arguments already made were reasonable and assessing fees on that basis.

Wiley similarly has little to say about the Ninth Circuit. Wiley ignores *Fantasy v. Fogerty*, instead citing only an unpublished, non-precedential decision in a lengthy string cite. Opp. 8 (citing *Hendrickson v. Amazon.com, Inc.*, 181 F App'x 692 (9th Cir. 2006)). Wiley ignores the portion of the opinion where the Ninth Circuit says that the "[d]efendants ... prevailed, but it is not evident that their role in the litigation 'furthered the underlying purposes of the Copyright Act.'" *Hendrickson*, 181 F App'x at 693 (quoting *Fantasy*, 94 F.3d at 555). Accordingly, the panel's mandate was: "On remand the district court should ascertain whether [the prevailing parties] furthered the purposes of the Copyright Act." *Id.* That the Ninth Circuit concluded another basis

for awarding fees was absent—because the losing plaintiff's claims were not also "frivolous or objectively unreasonable," *id.*—does not alter the Ninth Circuit's settled law. The Ninth Circuit approves of fee awards where the losing party's claim was not unreasonable when the prevailing party "further[ed] the purposes of the Copyright Act," *Fantasy*, 94 F.3d at 558, which is why the panel remanded for just such an inquiry in *Hendrickson*. 181 F. App'x at 693.

Significantly, Wiley raises no vehicle issues here. Wiley does not dispute that Kirtsaeng's meritorious "first sale" defense advanced the purposes of the Copyright Act and that Kirtsaeng would prevail in the Ninth and Eleventh Circuits. *See* Pet. 2, 8, 18-21.

C. Wiley calls our description of the Second Circuit's law a "caricature," Opp. 4, yet Wiley does not and cannot dispute that the Second Circuit's approach to fee awards under the Copyright Act differs sharply from the presumption in the Fifth and Seventh Circuits or the emphasis on rewarding parties for advancing the purposes of the Copyright Act in the Ninth and Eleventh Circuits. Wiley agrees that "the Second Circuit's approach ... places 'substantial weight' on the objective reasonableness factor." *Compare* Opp. 5 *with* Pet. 16.

Instead, Wiley argues generically that fee awards are "discretionary" and thus the undisputable disagreements among the courts are simply "examples of district courts using their best judgment." Opp. 4-5. That is wrong. The courts are reaching wildly different results because, as Wiley acknowledges at times (*see, e.g.*, Opp. 9), different district courts are applying different legal rules that have

been adopted by different appellate courts. *See* Pet. 1-2. It is for this Court to address those differing legal standards and put an end to plaintiffs picking and choosing their forums based on where it will be easiest for them to obtain fees if they win and most difficult for defendants to get fees if the plaintiff loses. *See* Pet. 30-31. In any event, Wiley's demur that district courts are just "using their best judgment," Opp. 5, could have also been said of the courts exercising their discretion pre-*Fogerty* to apply a dual standard that discriminated against prevailing defendants. And yet, this Court acknowledged the circuit split and decided the issue. 510 U.S. at 520-21.

II. The Decision Below Contravenes This Court's Precedent.

The petition demonstrated that the Second Circuit's emphasis on objective reasonableness violated this Court's precedent in three ways: (1) it is unfaithful to the Copyright Act's purposes, (2) it is not evenhanded, and (3) it equates fee awards under the Copyright Act with fee awards under the Patent Act, even though the Patent Act only permits fees in "exceptional" cases. Pet. 17-27 Wiley does not say one word about the Patent Act and barely addresses evenhandedness.

A. The Copyright Act originates in the Constitution's command "[t]o promote the Progress of Science," U.S. Const., Art. I, § 8, cl. 8, and "ultimately serves th[is] purpose ... through access to creative works," *Fogerty*, 510 U.S. at 527 *See* Pet. 17-18. Accordingly, this Court has counseled that "it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible." *Fogerty*, 510

U.S. at 527 "To that end, defendants who seek to advance a variety of meritorious copyright defenses should be encouraged to litigate them," since "a successful defense ... may further the policies of the Copyright Act." *Id.* "[F]aithful[ness] to the purposes of the Copyright Act" is the primary consideration in assessing fees under § 505. *Id.* at 534 n.19; *Fantasy, Inc.*, 94 F.3d at 558.

Rather than emphasizing faithfulness to the purposes of the Copyright Act, the Second Circuit emphasizes objective reasonableness. Pet. 21-22. This case is the perfect example. Even though no one disputes that Kirtsaeng advanced the purposes of the Copyright Act, Kirtsaeng was not awarded fees because Wiley's suit was not unreasonable. App. 4a-5a. Wiley responds that objective reasonableness does not "outweigh[] all other[] [factors]" because the Second Circuit "has made clear that objective reasonableness *can be outweighed*," Opp. 11 (emphasis added). But therein lies the problem. Saying that other factors can possibly outweigh reasonableness, makes reasonableness the primary consideration. Pet. 23-24. That is contrary to *Fogerty*.

Wiley's other response is to repeatedly quote the Second Circuit's statement that its "emphasis on objective reasonableness is firmly rooted in *Fogerty*'s admonition ... [to] be 'faithful to the purposes of the Copyright Act.'" Opp. 5, 10 (quoting *Matthew Bender & Co. v. W. Publ'g Co.*, 240 F.3d 116, 121-22 (2d Cir. 2001)). We said in the petition (at 23) that the Second Circuit has never explained this statement, and Wiley doesn't try either. Not "punish[ing]" losing parties for bringing reasonable claims—to use

Wiley's word, Opp. 3—does not "encourage[]" parties to raise objectively reasonable claims and defenses. *Fogerty*, 510 U.S. at 527; Pet. 21-22; *see also* Pet. 22 (also explaining that *Fogerty* rejected the punishment-based approach to copyright fees). At most, the Second Circuit's approach simply does not discourage parties from filing reasonable infringement suits. Infringement suits, however, are not the goal of the Copyright Act. *Fogerty*, 510 U.S. at 526.

B. Wiley also defends the Second Circuit by quoting its rule that "a fee award *against a copyright holder* with an objectively reasonable litigation position will generally not promote the purposes of the Copyright Act." Opp. 10 (emphasis added) (quoting Pet. App. 4a (quoting *Matthew Bender*, 240 F.3d at 122)). We explained (Pet. 24) how that is explicitly not evenhanded and, therefore, conflicts with *Fogerty*. Wiley does not respond.

Instead, Wiley says the Second Circuit's emphasis "on objective reasonableness is fully consistent with treating plaintiffs and defendants evenhandedly." Opp. 13. But Wiley ignores that the Second Circuit's application of the rule has in practice discriminated against prevailing defendants, in part because the Second Circuit emphasizes that it is plaintiff's prevailing copyright claims that are often "in line with the statutory goal of deterrence [of copyright violations]." *Kepner-Tregoe, Inc. v. Vroom*, 186 F.3d 283, 289 (2d Cir. 1999); *accord* Pet. 25.

C. Without an answer to the Second Circuit's equating of fee awards under the Copyright and Patent Acts, Pet. 26-27, Wiley instead argues that this petition is nothing more than an appeal from "Peti-

tioner's disappointment with the district court's decision." Opp. 4. It isn't. As the panel below held, "the district court properly placed 'substantial weight' on the reasonableness of [Wiley's] position in this case." App. 4a (quoting *Matthew Bender*, 240 F.3d at 122). This holding was based on the legal conclusion that it is "proper[]" to emphasize the objective reasonableness of a losing plaintiff's claim when the prevailing defendant's meritorious defense advanced the purposes of the Copyright Act. App. 4a. The question for this Court is whether that is an "appropriate standard for awarding attorneys' fees ... under § 505." Pet. i. Though the Copyright Act affords district court's discretion in their fee decisions, Opp. 1, if the decisions below are based on an erroneous legal rule, they are, by definition, abuses of discretion. *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384, 405 (1990).

III. This Case Is An Ideal Vehicle.

As already explained (at 5), Wiley does not dispute that this case is a perfect vehicle to address the issue of the standard for fee awards vis-à-vis the rule in the Ninth and Eleventh Circuits.

As to the Fifth and Seventh Circuit's presumption in favor of fee awards, Wiley argues "that issue is not properly presented" because Kirtsaeng "never" asked the Second Circuit to adopt "a presumption." Opp. 14. The "issue" is not the presumption but the standard for awarding fees. That issue is presented. Below, Kirtsaeng argued "unequivocally that he believes that *Matthew Bender* contravenes *Fogerty* and its progeny and should be abrogated." C.A. Reply Br. 10. Kirtsaeng did not ask the Second Circuit to

adopt the Fifth and Seventh Circuit's presumption, nor was he required to, because the Second Circuit had already rejected such a presumption, Opp. 12 (quoting *Lava Records*, 354 F. App'x at 462-63), and it would have been futile for Kirtsaeng to ask another panel to do what an earlier one already refused.

Wiley argues as fall back that the issue is not squarely presented because it is not "clear" that Kirtsaeng would win under a presumption favoring fee awards. Opp. 14. An assured victory is not and has never been the standard. Under a presumption favoring fee awards, Kirtsaeng would presumably be entitled to fees. His case would be strengthened by the undisputed fact that he advanced the purposes of the Copyright, he overcame a great disparity in wealth and power, he obtained a complete victory, and such awards prevent parties with meritorious arguments from being forced to throw in the towel or settle for nuisance value. Pet. 18-21, 28-30. Wiley says other considerations, such as Wiley's reasonable claim and the small "amount of money at stake," would rebut the presumption. Opp. 14. That is for another court on another day—though it bears noting that Wiley's original judgment (before it was reversed) was for $600,000, Pet. 5, and courts applying presumptions have awarded fees even when the losing party's claim was reasonable, *HyperQuest, Inc.*, 632 F.3d at 387 It appears quite "clear" indeed that Kirtsaeng would be entitled to fees under the circumstances.

Finally, Wiley leaves breadcrumbs that this case may be a poor vehicle because Kirtsaeng's Supreme Court counsel was pro bono. Opp. 2, 4. Wiley's counsel wisely conceded at oral argument below that "I

don't argue and I don't think we did argue in the brief, Your Honor, that the fact that it was given pro bono should preclude that reimbursement of that fee." CA2 Oral Arg. Recording 13:38-13:49. This Court rejects that pro bono representation is relevant to the threshold question of whether *any* fees should be awarded, *Blanchard v. Bergeron*, 489 U.S. 87, 94 (1989), as did the panel, Pet. 5a n.2. In any event, Kirtsaeng incurred more than $115,000 in legal fees prior to his pro bono representation in this Court, and those fees remain subject to his request for fees under § 505. C.A. App. A313-54.

CONCLUSION

As Wiley concedes, there is at least one circuit split on an issue of national importance, and this case is a proper vehicle to address the issue. This Court should grant the petition.

Respectfully submitted,

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Date: December 8, 2015

Supreme Court, U.S.
FILED
FEB 22 2016
OFFICE OF THE CLERK

No. 15-375

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG, DBA BLUECHRISTINE99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

JOINT APPENDIX

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PETITION FOR WRIT OF CERTIORARI FILED
SEPTEMBER 24, 2015
CERTIORARI GRANTED JANUARY 15, 2016

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General Docket
United States Court of Appeals for the Second Circuit

Court of Appeals Docket #: 14-344
Nature of Suit: 3820 PROPERTY RIGHTS-Copyright

John Wiley & Sons, Inc. v. Supap Kirtsaeng

Appeal From: U.S. District Court for the Southern District of New York, New York City

Docketed: 01/28/2014
Termed: 05/27/2015
Fee Status: Paid

01/28/2014	1	NOTICE OF CIVIL APPEAL, with district court docket, on behalf of Appellant Supap Kirtsaeng, FILED. [1152176] [14-344] [Entered: 02/07/2014 09:18 AM]
01/28/2014	3	DISTRICT COURT OPINION AND ORDER, dated 12/20/2013, RECEIVED.[1152183] [14-344] [Entered: 02/07/2014 09:21 AM]
05/13/2014	43	BRIEF & SPECIAL APPENDIX, on behalf of Appellant Supap Kirtsaeng, FILED. Service date 05/13/2014 by CM/ECF.

		[1223708] [14-344] [Entered: 05/13/2014 04:44 PM]
05/13/2014	44	JOINT APPENDIX, volume 1 of 4, (pp. 1-287), on behalf of Appellant Supap Kirtsaeng, FILED. Service date 05/13/2014 by CM/ECF.[1223721] [14-344] [Entered: 05/13/2014 04:49 PM]
05/13/2014	45	JOINT APPENDIX, volume 2 of 4, (pp. 288-543), on behalf of Appellant Supap Kirtsaeng, FILED. Service date 05/13/2014 by CM/ECF.[1223726] [14-344] [Entered: 05/13/2014 04:51 PM]
05/13/2014	46	JOINT APPENDIX, volume 3 of 4, (pp. 544-814), on behalf of Appellant Supap Kirtsaeng, FILED. Service date 05/13/2014 by CM/ECF.[1223731] [14-344] [Entered: 05/13/2014 04:52 PM]
05/13/2014	47	JOINT APPENDIX, volume 4 of 4, (pp. 815-1089), on behalf of Appellant Supap Kirtsaeng, FILED. Service date 05/13/2014 by CM/ECF.[1223734] [14-344] [Entered: 05/13/2014 04:53 PM]
08/12/2014	62	BRIEF, on behalf of Appellee John Wiley & Sons, Inc., FILED. Service date 08/12/2014 by

		CM/ECF [1292929] [14-344] [Entered: 08/12/2014 01:05 PM]
09/09/2014	72	REPLY BRIEF, on behalf of Appellant Supap Kirtsaeng, FILED. Service date 09/09/2014 by CM/ECF. [1315857] [14-344] [Entered: 09/09/2014 05:19 PM]
05/27/2015	96	SUMMARY ORDER AND JUDGMENT, affirming judgment of the district court, by RAK, JMW, DC, FILED.[1518070] [14-344] [Entered: 05/27/2015 09:31 AM]
06/17/2015	98	JUDGMENT MANDATE, ISSUED.[1534320] [14-344] [Entered: 06/17/2015 11:04 AM]
1/22/2016	103	U.S. SUPREME COURT NOTICE, dated 01/15/2016, U.S. Supreme Court docket # 15-375, stating the petition for writ of certiorari is granted, RECEIVED.[1689675] [14-344] [Entered: 01/22/2016 11:39 AM]

U.S. District Court
Southern District of New York (Foley Square)
CIVIL DOCKET FOR CASE #: 1:08-cv-07834-DCP

John Wiley & Sons, Inc. v Supap Kirtsaeng et al

Assigned to: Judge Donald C. Pogue

Referred to:

Cases in other court: US Court of Appeals, Second Circuit, 09-04896

Cause: 17:101 Copyright Infringement

Date Filed: 9/08/2008

Date Terminated: 11/17/2009

Jury Demand: Defendant

Nature of Suit: 820 Copyright

Jurisdiction: Federal Question

09/08/2008	1	COMPLAINT against Supap Kirtsaeng, John Doe. (Filing Fee $ 350.00, Receipt Number 662437) Document filed by John Wiley & Sons, Inc. (mbe) (Entered: 09/12/2008)
04/27/2009	5	ORDER TO SHOW CAUSE FOR PRELIMINARY INJUNCTION AND PREJUDGMENT ATTACHMENT AND ORDER OF ATTACHMENT

		filed by John Wiley & Sons, Inc. .... (Signed by Judge Gerard E. Lynch on 4/27/09) (cd) (Entered: 04/27/2009)
05/08/2009	19	STIPULATION PRELIMINARY INJUNCTION AND ORDER VACATING TEMPORARY ORDER OF ATTACHMENT .... (Signed by Judge Gerard E. Lynch on 5/7/2009) (tve) Modified on 6/11/2009 (tve). (Entered: 05/13/2009)
06/18/2009	21	MOTION to Adjudge Kirtsaeng and Bank of America in Contempt. Document filed by John Wiley & Sons, Inc. (Attachments: # 1 Declaration of Service) (Scileppi, Laura) (Entered: 06/18/2009)
09/15/2009	35	MEMORANDUM OPINION AND ORDER;#98032 denying 21 Motion holding Kirtsaeng and his bank account holder, Bank of America, in civil contempt of an

		April 27, 2009 temporary restraining order. (Signed by Judge Donald C. Pogue on 9/15/09) (ae) (Additional attachment(s) added on 9/16/2009: # 1 Main Document) (ae). Modified on 9/17/2009 (eef). (Entered: 09/15/2009)
10/19/2009	52	OPINION:#98172 In light of the court's analysis, described above, of Kirtsaeng's proposed defenses in this action, it is hereby: ORDERED that Kirtsaeng is prohibited as a from raising a defense pursuant to the doctrine; and it is hereby matter of law "first sale" .... (Signed by Judge Donald C. Pogue on 10/19/09) (ae) Modified on 10/23/2009 (eef). (Entered: 10/19/2009)
11/04/2009		JURY VERDICT for plaintiff in the amount of $600,000.(tro) (Entered: 11/04/2009)

11/09/2009	70	MEMORANDUM AND ORDER. Plaintiff has failed to present the court with clear and convincing evidence supporting a finding of civil contempt and an institution of a fine against Defendant. Plaintiff's motion is DENIED. (Signed by Judge Donald C. Pogue on 11/9/09) (rjm) (Entered: 11/12/2009)
11/16/2009	72	PERMANENT INJUNCTION. ORDERED, ADJUDGED AND DECREED .... (Signed by Judge Donald C. Pogue on 11/16/09) (rjm). (Entered: 11/16/2009)
11/17/2009	73	JUDGMENT #09,2217 in favor of John Wiley & Sons, Inc. against Supap Kirtsaeng in the amount of $ 600,000.00. (Signed by Judge Donald C. Pogue on 11/16/09) (Attachments: # 1 notice of right to appeal) (ml) (Entered: 11/17/2009)

11/24/2009	74	NOTICE OF APPEAL from 73 Judgment. Document filed by Supap Kirtsaeng. Filing fee $ 455.00, receipt number E 707026. (nd) (Entered: 11/24/2009)
02/02/2010	78	MOTION to Direct *Defendant Supap Kirtsaeng to Bring His Property Into New York And Appoint A Receiver*. Document filed by John Wiley & Sons, Inc.. (Attachments: # 1 Declaration of Service) (Scileppi, Laura) (Entered: 02/02/2010)
02/17/2010	84	ORDER denying 78 Motion to Direct. Pursuant to defendant's agreement, defendant is directed, upon achievement of his Ph.D, to deliver his computer and fax/printer/scanner to plaintiff. Pursuant to defendant's agreement, defendant is directed to provide plaintiff with title to the golf clubs and plaintiff's motion is otherwise denied. (Signed by

		Judge Donald C. Pogue on 2/17/10) (dle) (Entered: 02/17/2010)
10/27/2011	85	MANDATE of USCA (Certified Copy) as to 74 Notice of Appeal filed by Supap Kirtsaeng USCA Case Number 09-4896. Ordered, Adjudged and Decreed that the judgment of the District Court is AFFIRMED in accordance with the opinion of this Court. Catherine O'Hagan Wolfe, Clerk USCA for the Second Circuit. Issued As Mandate: 10/26/2011. (Attachments: # 1 Opinion) (nd) (Entered: 10/27/2011)
04/23/2013	88	TRUE COPY ORDER of USCA as to 74 Notice of Appeal filed by Supap Kirtsaeng USCA Case Number 09-4896-cv. In light of the Supreme Court's holding that the first sale doctrine does apply to such works, thus providing Kirtsaeng with a

		valid defense to copyright infringement, the District Court's judgment is REVERSED, and the cause is REMANDED for such further proceedings as may be appropriate prior to entry of final judgment. Catherine O'Hagan Wolfe, Clerk USCA for the Second Circuit. Certified: 04/23/2013. (nd) (Entered: 04/23/2013)
05/21/2013	90	MANDATE of USCA (Certified Copy) as to 74 Notice of Appeal filed by Supap Kirtsaeng USCA Case Number 09-4896-cv .... Upon consideration thereof, IT IS HEREBY ORDERED, ADJUDGED and DECREED that the judgment of the district court is REVERSED, and the cause is REMANDED in accordance with the opinion of this court. Catherine O'Hagan Wolfe, Clerk USCA for the Second Circuit. Issued As Mandate: 05/21/2013. (Attachments: #

		1 U.S. Supreme Court Opinion, # 2 U.S. Court of Appeals Per Curiam Opinion) (nd) (Entered: 05/21/2013)
08/01/2013	93	MOTION for Attorney Fees. Document filed by Supap Kirtsaeng. (Israel, Sam) (Entered: 08/01/2013)
08/01/2013	94	DECLARATION in Support re: 93 MOTION for Attorney Fees. Document filed by Supap Kirtsaeng. (Attachments: # 1 Exhibit 1, # 2 Exhibit 2, # 3 Exhibit 3, # 4 Exhibit 4, # 5 Exhibit 5, # 6 Exhibit 6, # 7 Exhibit 7, # 8 Exhibit 8, # 9 Exhibit 9, # 10 Exhibit 10, # 11 Exhibit 11, # 12 Exhibit 12) (Israel, Sam) (Entered: 08/01/2013)
08/01/2013	95	DECLARATION in Support re: 93 MOTION for Attorney Fees. Document filed by Supap Kirtsaeng. (Attachments: # 1 Exhibit A, # 2 Exhibit B, # 3 Exhibit C, # 4 Exhibit D, # 5 Exhibit E, # 6

		Exhibit F, # 7 Exhibit G, # 8 Exhibit H, # 9 Exhibit I, # 10 Exhibit J, # 11 Exhibit K) (Israel, Sam) (Entered: 08/01/2013)
08/01/2013	96	MEMORANDUM OF LAW in Support re: 93 MOTION for Attorney Fees. Document filed by Supap Kirtsaeng. (Attachments: # 1 Supplement Counsel's Certification of Compliance) (Israel, Sam) (Entered: 08/01/2013)
10/24/2013	107	RESPONSE in Opposition to Motion re: 93 MOTION for Attorney Fees. Document filed by John Wiley & Sons, Inc. (Oppenheim, Matthew) (Entered: 10/24/2013)
10/24/2013	108	DECLARATION of Maria Danzilo in Opposition re: 93 MOTION for Attorney Fees. Document filed by John Wiley & Sons, Inc. (Attachments: # 1 Exhibit A) (Oppenheim, Matthew) (Entered: 10/24/2013)

10/24/2013	109	DECLARATION of Kerry Mustico in Opposition re: 93 MOTION for Attorney Fees. Document filed by John Wiley & Sons, Inc. (Attachments: # 1 Exhibit 1, # 2 Exhibit 2, # 3 Exhibit 3, # 4 Exhibit 4, # 5 Exhibit 5, # 6 Exhibit 6, # 7 Exhibit 7, # 8 Exhibit 8, # 9 Exhibit 9) (Oppenheim, Matthew) (Entered: 10/24/2013)
10/24/2013	110	DECLARATION of Susan Tiedemann Seutter in Opposition re: 93 MOTION for Attorney Fees. Document filed by John Wiley & Sons, Inc. (Oppenheim, Matthew) (Entered: 10/24/2013)
11/20/2013	115	REPLY MEMORANDUM OF LAW in Support re: 93 MOTION for Attorney Fees. Document filed by Supap Kirtsaeng. (Attachments: # 1 Supplement Counsel's Certi-

		fication of Compliance) (Israel, Sam) (Entered: 11/20/2013)
11/20/2013	116	DECLARATION of E. Joshua Rosenkranz in Support re: 93 MOTION for Attorney Fees. Document filed by Supap Kirtsaeng. (Attachments: # 1 Exhibit A, # 2 Exhibit B, # 3 Exhibit C) (Israel, Sam) (Entered: 11/20/2013)
11/20/2013	117	DECLARATION of Chuck Chandler in Support re: 93 MOTION for Attorney Fees. Document filed by Supap Kirtsaeng. (Attachments: # 1 Exhibit A, # 2 Exhibit B) (Israel, Sam) (Entered: 11/20/2013)
11/20/2013	118	DECLARATION of Sam P Israel in Support re: 93 MOTION for Attorney Fees. Document filed by Supap Kirtsaeng. (Attacnments: # 1 Exhibit 1, # 2 Exhibit 2, # 3 Exhibit 3, # 4 Exhibit 4, # 5 Exhibit 5, # 6 Exhibit 6, # 7

		Exhibit 7) (Israel, Sam) (Entered: 11/20/2013)
12/11/2013	123	REPLY MEMORANDUM OF LAW in Opposition re: 93 MOTION for Attorney Fees. Document filed by John Wiley & Sons, Inc. (Oppenheim, Matthew) (Entered: 12/11/2013)
12/11/2013	124	REPLY AFFIDAVIT of Kerry M. Mustico in Opposition re: 93 MOTION for Attorney Fees. Document filed by John Wiley & Sons, Inc. (Attachments: # 1 Exhibit, # 2 Exhibit, # 3 Exhibit) (Oppenheim, Matthew) (Entered: 12/11/2013)
12/20/2013	125	OPINION AND ORDER re: 93 MOTION for Attorney Fees filed by Supap Kirtsaeng. Because Wileys claim was not objectively unreasonable, and because no other factor weighs against this important consideration in the circumstances of this

		case, grant of Kirtsaeng's fee request is not appropriate. Defendant's motion for an award of attorneys fees and reimbursement of litigation expenses is therefore denied. (Signed by Judge Donald C. Pogue on 12/20/2013) (cd) (Entered: 12/20/2013)
06/17/2015	130	MANDATE of USCA (Certified Copy) as to 126 Notice of Appeal filed by Supap Kirtsaeng USCA Case Number 14-0344-cv Ordered, Adjudged and Decreed that the order of the District Court is AFFIRMED. Catherine O'Hagan Wolfe, Clerk USCA for the Second Circuit. Issued As Mandate: 06/17/2015. (nd) (Entered: 06/17/2015)

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

John Wiley & Sons, Inc.

Plaintiff,

v.

Civil Action No. 08-cv-7834-DCP

Supap Kirtsaeng *et al.*

[FILED 8/01/13]

Defendant.

NOTICE OF MOTION FOR AN AWARD OF ATTORNEYS' FEES AND REIMBURSEMENT OF LITIGATION EXPENSES

PLEASE TAKE NOTICE that pursuant to 17 U.S.C. § 505 and upon the declarations of Sam P Israel and E. Joshua Rosenkranz in Support of the Defendant Supap Kirtsaeng's Motion for an Award of Attorneys' Fees and Reimbursement of Litigation Expenses, the attendant exhibits, the supporting Memorandum of Law, and all other papers and proceedings herein, defendant Supap Kirtsaeng (the "**Defendant**") will move this Court on a date and time determined by the Court as soon as counsel may be heard in the Courtroom of the Hon. Donald C. Pogue, Chief Judge for the United States Court of International Trade, 1 Federal Plaza, New York, NY 10278, for entry of an order awarding the Defendant his attorneys' fees and reimbursement of litigation expenses incurred in connection with this matter, together with accrued interest.

Dated: New York, New York
July 31, 2013

Sam P Israel, PC

By: */s /. Sam P. Israel*
Sam Israel (SPI0270)
Eleonora Zlotnikova
Esq. (ELZ 5005)
1 Liberty Plaza–Twenty Third Floor
New York, New York 10006
Tel: 212-201-5345 | Fax: 212-201-5343
info@sampisrael.com
Attorneys for Defendant Supap Kirtsaeng

Of Counsel:

E. Joshua Rosenkranz, Esq.
Orrick, Herrington & Sutcliffe LLP

United States District Court
Southern District of New York

John Wiley & Sons, Inc.

Plaintiff,

v.

Civil Action No. 08-cv-7834-DCP

Supap Kirtsaeng *et al.*

Defendant.

DECLARATION OF SAM P. ISRAEL IN SUPPORT OF DEFENDANT SUPAP KIRTSAENG'S MOTION FOR AN AWARD OF ATTORNEYS' FEES AND REIMBURSEMENT OF LITIGATION EXPENSES

SAM P ISRAEL, pursuant to 28 U.S.C. § 1746, declares under penalties of perjury that the following is true and correct:

1. I am a member of the Bar of this Court in good standing and counsel to Defendant Supap Kirtsaeng ("**Kirtsaeng**" or "**Defendant**") in this matter. I submit this declaration together with the appended exhibits for the purpose of putting before the Court true and correct copies of certain documents that support the Defendant's Motion for an Award of Attorneys' Fees and Reimbursement of Litigation Expenses.

2. Appended hereto as Exhibit 1 is a true and correct copy of Plaintiff John Wiley & Sons, Inc.'s

("**Wiley**" or "**Plaintiff**") September 8, 2008 [Original] Complaint, ECF No. 1.

3. Appended hereto as Exhibit 2 is a true and correct copy of Responses of Plaintiff to the Interrogatories of Defendant.

4. Appended hereto as Exhibit 3 is a true and correct copy of Responses of Plaintiff to the Document Requests of Defendant.

5. Appended hereto as Exhibit 4 is a true and correct copy of the May 8, 2009 Amended Complaint, ECF No. 18.

6. Appended hereto as Exhibit 5 is a true and correct copy of Defendant's Notice of Motion *In Limine* to Preclude Testimony of Defendant's Counsel at Contempt Hearing, ECF No. 50.

7 Appended hereto as Exhibit 6 is a true and correct copy of Plaintiff's Notice of Deposition of Sam P Israel.

8. Appended hereto as Exhibit 7 is a true and correct copy of Document Requests of Plaintiff to Defendant Supap Kirtsaeng Regarding the Contempt Hearing.

9. Appended hereto as Exhibit 8 is a true and correct copy of Contempt-Related Document Requests of Plaintiff to Defendant Supap Kirtsaeng—Second Set.

10. Appended hereto as Exhibit 9 is a true and correct copy of the Memorandum & Order denying Plaintiff's contempt motion, ECF No. 52.

11. Appended hereto as Exhibit 10 is a true and correct copy of Notice of Motion of Plaintiff for an Order Directing Kirtsaeng to Bring his Out-of-State Personal Property into New York and Appointing a Receiver, ECF No. 78.

12. Appended hereto as Exhibit 11 is a true and correct copy of Defendant's Memorandum of Law in Opposition to Motion for an Order Directing the Defendant to Bring Assets into the State, ECF No. 81.

13. Appended hereto as Exhibit 12 is a true and correct copy of contemporaneous records of fees and costs incurred by the undersigned counsel. By way of my background, I graduated from New York University School of Law in 1987 and have been practicing law for twenty three years in New York, specializing in Intellectual Property, Commercial litigation, and Securities litigation. I am the founder and managing partner of Sam P Israel, P.C. I have successfully litigated matters in New York's state, district, and appellate level courts, as well as throughout the United States. As a frequent lecturer and author of articles on intellectual property issues, dispute resolution and other matters, I have been quoted by the press regarding a number of my cases and cited by other legal scholars.

14. By reason of the foregoing, and the facts and evidence set forth in the accompanying Declaration of E. Josh Rosenkranz, dated July 31, 2013, and upon

the legal arguments advanced in the Memorandum of Law in Support of Defendant Supap Kirtsaeng's Motion for an Award of Attorney's Fees and Reimbursement of Litigation Expenses, I respectfully request that this Court should award Mr. Kirtsaeng the fees and litigation expenses incurred in the five years he undertook his defense of Wiley's claims in the amounts set forth herein and further reflected in the accompanying submissions.

Dated: New York, New York
July 31, 2013

Sam P. Israel, PC

By: */s /: Sam P. Israel*
Sam Israel (SPI0270)
Eleonora Zlotnikova
Esq. (ELZ 5005)
1 Liberty Plaza–
Twenty Third Floor
New York, New York
10006
Tel: 212-201-5345 |
Fax: 212-201-5343
info@sampisrael.com
Attorneys for Defendant Supap Kirtsaeng

Sam P. Israel, P.C.
1 Liberty Plaza
23rd Floor, Suite 2330
New York, NY 10006

Invoice submitted to:
Supap Kirtsaeng
3637 Mentone Avenue,
Apt. 3
Los Angeles, CA 90034

February 1, 2009

In Reference To: *Wiley v. Kirtsaeng*; SDNY 08-CV-7834
Invoice #12431

Professional services

		Hrs/Rate	Amount
1/15/09	emails, tel. conf. w/ othrer side., emails.	0.40 325.00/hr	130.00
1/20/09	research defenses.	1.30 325.00/hr	422.50
1/21/09	prep for and appear in court for conf., appear before judge and explain legal theories for defense.	2.60 325.00/hr	845.00

		Hrs/Rate	Amount
1/22/09	tel. conf. w/ b. hart re: copyright issues in case.	0.30 325.00/hr	97.50
	For professional services rendered	4.60	$1,495.00
	Previous Balance		($4,245.00)
	Balance due		($2,750.00)

Sam P Israel, P.C.
1 Liberty Plaza
23rd Floor, Suite 2330
New York, NY 10006

Invoice submitted to:
Supap Kirtsaeng
3637 Mentone Avenue,
Apt. 3
Los Angeles, CA 90034

March 1, 2009

In Reference To: *Wiley v. Kirtsaeng*; SDNY 08-CV-7834
Invoice #12464

Professional services

		Hrs/Rate	Amount
2/5/09	tel. conf. w/ sk.	0.30 325.00/hr	97.50
2/9/09	Email correspondence regarding discovery requests. Review response from client regarding discovery; review spreadsheet of sales.	0.70 250.00/hr	175.00
2/10/09	review doc production reqs., met w/ rsn re same.	0.30 325.00/hr	97.50

		Hrs/Rate	Amount
2/12/09	emails.	0.20 325.00/hr	65.00
2/17/09	drafting discovery responses.	1.40 325.00/hr	455.00
2/19/09	draft discovery demands to plaintiff; drafting mandatory disclosures and discovery responses, interrogatory and document demands.	4.30 325.00/hr	1,397.50
2/22/09	prep doc demand, emails supap.	1.40 325.00/hr	455.00
	For professional services rendered	8.60	$2,742.50
	Previous Balance		($2,750.00)
	Balance due		($7.50)

Sam P Israel, P.C.
1 Liberty Plaza
23rd Floor, Suite 2330
New York, NY 10006

Invoice submitted to:
Supap Kirtsaeng
3637 Mentone Avenue,
Apt. 3
Los Angeles, CA 90034

April 4, 2009
In Reference To: *Wiley v. Kirtsaeng*; SDNY 08-CV-7834
Invoice #12499

Professional services

		Hrs/Rate	Amount
3/3/09	calls to supap.	0.20 325.00/hr	65.00
3/4/09	tel. conf. w/ supap.	0.20 325.00/hr	65.00
3/11/09	emails other side re: discovery, etc.	0.30 325.00/hr	97.50
3/12/09	emails.	0.20 325.00/hr	65.00
3/13/09	tel. conf. w/ sk, prep response to demands.	0.30 325.00/hr	97.50

		Hrs/Rate	Amount
3/17/09	prep production, produced docs, cones, review pl response.	0.40 325.00/hr	130.00
3/18/09	emails, review discovery responses.	0.40 325.00/hr	130.00
3/30/09	call opp. counsel.	0.10 325.00/hr	32.50
	For professional services rendered	2.10	$682.50
	Additional charges:		
3/18/09	Postage		4.95
	Total costs		4.95
	Total amount of this bill		$687.45
	Previous Balance		($7.50)
3/5/09	Payment — thank you		($7,000)
	Balance due		($6,320.05)

Sam P. Israel, P.C.
1 Liberty Plaza
23rd Floor, Suite 2330
New York, NY 10006

Invoice submitted to:
Supap Kirtsaeng
3637 Mentone Avenue,
Apt. 3
Los Angeles, CA 90034

May 2, 2009
In Reference To: *Wiley v. Kirtsaeng*; SDNY 08-CV-7834
Invoice #12529

Professional services

		Hrs/Rate	Amount
4/2/09	tel. conf. w/ opp. counsel.	0.30 325.00/hr	97.50
4/22/09	email opp counsel re: paypal.	0.30 325.00/hr	97.50
4/27/09	tel. conf. w/ adv and court re: attachment motion, review motion papers	1.40 325.00/hr	455.00
4/28/09	emails other side and tel. confs. w/ supap.	0.70 325.00/hr	227.50
4/30/09	emails opp counsel.	0.20 325.00/hr	65.00

	Hrs/Rate	Amount
For professional services rendered	2.90	$942.50
Previous Balance		($6,320.05)
Balance due		($5,377.55)

Sam P. Israel, P.C.
1 Liberty Plaza
23rd Floor, Suite 2330
New York, NY 10006

Invoice submitted to:
Supap Kirtsaeng
3637 Mentone Avenue,
Apt. 3
Los Angeles, CA 90034

June 1, 2009
In Reference To: *Wiley v. Kirtsaeng*; SDNY 08-CV-7834
Invoice #12561

Professional services

		Hrs/Rate	Amount
5/1/09	emails laura	0.30 325.00/hr	97.50
	emails laura	0.30 325.00/hr	97.50
5/2/09	start prep response to motion, emails, etc.	1.30 325.00/hr	422.50
5/13/09	drafting opp to attachment motion, emails supap.	2.40 325.00/hr	780.00
5/4/09	emails, tel. confs w/ supap and w/ court and adv. (re: scheduling,	2.70 325.00/hr	877.50

		Hrs/Rate	Amount
	etc.), research, drafting opp to motion.		
5/5/09	call court, emails, drafting opp., emails supap, etc.	5.10 325.00/hr	1,657.50
5/6/09	many calls to supap revise papers, drafting opp to motion including multiple docs, research, service, deliver to court, etc., filing, tel. conf. opp counsel, revising stipulation.	7.90 325.00/hr	2,567.50
5/7/09	emails and prepare depo notice, appear in court for argument on motion, tel. confs. w/ supap, etc.	3.20 325.00/hr	1,040.00
5/11/09	tel. confs. w/ supap re: prep for depo., etc.	0.40 325.00/hr	130.00
5/12/09	emails, defend depo., mult tel. confs. w/ supap, prep for depo.	7.20 325.00/hr	2,340.00
5/13/09	emails, review proposed protective order. emails opp. counsel.	0.30 325.00/hr	97.50

		Hrs/Rate	Amount
5/14/09	email opp counsel.	0.20 325.00/hr	65.00
5/18/09	emails; review doc pro duction, prep supap pro-duction; draft letter to opp. counsel.	0.60 325.00/hr	195.00
5/21/09	draft stip, emails.	0.60 325.00/hr	65.00
5/22/09	emails adv.	0.20 325.00/hr	65.00
5/26/09	emails re: leglaity of overseas sales, emails.	0.20 325.00/hr	65.00
	For professional ser-vices rendered	32.90	$10,692.50
	Additional charges:		
5/6/09	copies		70.00
	Total costs		70.00
	Total amount of this bill		$10,762.50
	Previous balance		($5,377.55)
	Balance due		$5,384.95

Sam P Israel, P.C.
1 Liberty Plaza
23rd Floor, Suite 2330
New York, NY 10006

Invoice submitted to:
Supap Kirtsaeng
3637 Mentone Avenue,
Apt. 3
Los Angeles, CA 90034

July 4, 2009
In Reference To: *Wiley v. Kirtsaeng*; SDNY 08-CV-7834
Invoice #12594

Professional services

		Hrs/Rate	Amount
6/4/09	emails counsel for pl. review doc prod. by plaintiff.	0.40 325.00/hr	130.00
6/18/09	review new motion.	0.30 325.00/hr	97.50
6/24/09	tel. conf. w/ bank re: subpoena, emails.	0.70 325.00/hr	227.50
	For professional services rendered	1.40	$455.00
	Previous Balance		$5,384.95

		Hrs/Rate	Amount
6/14/09	Credit		($10,000)
	Balance due		($4,160.05)

Sam P. Israel, P.C.
1 Liberty Plaza
23rd Floor, Suite 2330
New York, NY 10006

Invoice submitted to:
Supap Kirtsaeng
3637 Mentone Avenue,
Apt. 3
Los Angeles, CA 90034

August 1, 2009
In Reference To: *Wiley v. Kirtsaeng*; SDNY 08-CV-7834
Invoice #12625

Professional services

		Hrs/Rate	Amount
7/5/09	prep opp to motion for con-tempt, Israel decl and supap decl.	3.20 325.00/hr	1,040.00
7/6/09	revisions to decl; tel. confs. w/ supap, file opp papers.	2.60 325.00/hr	845.00
7/10/09	emails opp counsel; review reply submission on con-tempt motion, tel. conf. w/ opp. counsel.	0.80 325.00/hr	260.00
7/14/09	drafting joint pre-trial memo.	1.80 325.00/hr	585.00

		Hrs/Rate	Amount
7/16/09	drafting/revising pre-trial or-der; tel. conf. w/ opp. counsel.	0.40 325.00/hr	130.00
7/17/09	drafting /revising pre-trial memo.	4.80 325.00/hr	1,560.00
7/18/09	prepare pre trial order.	3.10 325.00/hr	1,007.50
7/20/09	2 tel. confs. w/ ls, revise pto, etc.	2.30 325.00/hr	747.50
7/23/09	emails review cones w/ other side.	0.30 325.00/hr	97.50
		19.30	$6,272.50
	Previous Balance		($4,160.05)
	Balance due		$2,112.45

Sam P. Israel, P.C.
1 Liberty Plaza
23rd Floor, Suite 2330
New York, NY 10006

Invoice submitted to:
Supap Kirtsaeng
3637 Mentone Avenue,
Apt. 3
Los Angeles, CA 90034

September 1, 2009
In Reference To: *Wiley v. Kirtsaeng*; SDNY 08-CV-7834
Invoice #12654

Professional services

		Hrs/Rate	Amount
8/5/09	draft letter to judge pogue.	0.60 325.00/hr	195.00
8/12/09	tel. conf. w/ opp. counsel.	0.20 325.00/hr	65.00
8/22/09	emails re: misc.	0.30 325.00/hr	97.50
8/23/09	emails.	0.20 325.00/hr	65.00
8/26/09	tel. conf. w/ ct; reviewing orders, etc.	0.30 325.00/hr	97.50

	Hrs/Rate	Amount
For professional serivces rendered	1.60	$520.00
Previous balance		$2,112.45
Balance due		$2,632.45

Sam P. Israel, P.C.
1 Liberty Plaza
23rd Floor, Suite 2330
New York, NY 10006

Invoice submitted to:
Supap Kirtsaeng
3637 Mentone Avenue,
Apt. 3
Los Angeles, CA 90034

October 3, 2009
In Reference To: *Wiley v. Kirtsaeng*; SDNY 08-CV-7834
Invoice #12703

Professional services

		Hrs/Rate	Amount
9/1/09	Tel. Conf. W/ court and opp coun-sel, emails, prep for call.	0.80 325.00/hr	260.00
9/3/09	Tel. Conf. And emails.	0.50 325.00/hr	162.50
9/8/09	review corres from opp. Counsel, court order, etc., discovery de-mands.	0.60 325.00/hr	195.00
9/9/09	emails supap, draft dis-covery re-sponse.	1.60 325.00/hr	520.00

		Hrs/Rate	Amount
9/12/09	review emails from supap, doc demand responses, revise written responses and assemble docs for prod.	2.60 325.00/hr	845.00
9/14/09	Tel. Conf. W/ bill donnegan, research for brief on first sale doctrine, research other related issues, drafting.	2.50 325.00/hr	812.50
9/15/09	draft letter to judge pogue, assemble exhibits for submission to court, draft memo, mult Tel. Confs. W/ opp. counsel. further revisions to disc responses.	3.20 325.00/hr	1,040.00
9/16/09	emails other side, drafting memo; doing depo notice, etc.	4.90 325.00/hr	1,592.50
9/17/09	revise memo further, emails.	2.80 325.00/hr	910.00
9/18/09	emails supap; emails opp., draft depo notices to counsel, debate	1.40 325.00/hr	455.00

		Hrs/Rate	Amount
	w/other side re: discovery issues re: contempt matter.		
9/21/09	draft letter to judge, multi., emails, review further corres from ct. and emails.	2.60 325.00/hr	845.00
9/22/09	call ct, emails, review file.	0.90 325.00/hr	292.50
9/23/09	Prep for and Participate in conf w/ct re: contempt discovery issues, tel. conf. w/supap, emails.	1.60 325.00/hr	520.00
9/24/09	mult. emails opp counsel and drafting revised pre-trial order with additional legal arguments and facts., etc.	2.10 325.00/hr	682.50
9/25/09	preparing revised pto; review fax from supap; research emails, opp. counsel.	3.10 325.00/hr	1,007.50
9/26/09	drafting pto; additional copyright related research, etc.	2.60 325.00/hr	845.00

		Hrs/Rate	Amount
9/27/09	research, drafting PTO.	1.60 325.00/hr	520.00
9/28/09	revise pto; emails opp. counsel, etc.	2.20 325.00/hr	715.00
9/29/09	emails opp. counsel, revise pto; mult tel. confs. w/ b. donnegan and emails.	2.80 325.00/hr	910.00
9/30/09	review corres to court; respond, draft letter, tel. conf. w/ ct., emails; tel. conf. w/ supap.	2.70 325.00/hr	877.50
	For professional serivces rendered	43.10	$14,007.50
	Previous balance		$2,647.45
	Accounts receivable transactions		
9/17/09	Payment – thank you		($8,647.45)
	Total payments and adjustments		($8,647.45)
	Balance due		$8,007.50

Sam P. Israel, P.C.
1 Liberty Plaza
23rd Floor, Suite 2330
New York, NY 10006

Invoice submitted to:
Supap Kirtsaeng
3637 Mentone Avenue,
Apt. 3
Los Angeles, CA 90034

November 01, 2009
In Reference To: *Wiley v. Kirtsaeng*; SDNY 08-CV-7834
Invoice #12734

Professional services

		Hrs/Rate	Amount
10/1/09	prep w/ supap for depo; defend depo; tel. confs. w/ sk.	4.20 325.00/hr	1,365.00
10/2/09	tel. conf. w/ donneegon; call court, prep motion affirmation to be relieved as counsel and memo of law.	3.60 325.00/hr	1,170.00
10/3/09	drafting motion to be relieved and supporting papers.	1.50 325.00/hr	487.50

		Hrs/Rate	Amount
10/4/09	further drafting of motion to be relieved.	1.30 325.00/hr	422.50
10/6/09	prep jury instructions; tel. conf. w/ opp counsel; review ct. orders; tel. conf. w/ supap.	3.60 325.00/hr	1,170.00
10/7/09	prep voire dire questions, revise jury instructions, file., etc.	2.60 325.00/hr	845.00
10/10/09	corres w/ opp counsel re: sub compel.	0.20 325.00/hr	65.00
10/11/09	review corres from opp counsel and witness designations.	0.20 325.00/hr	65.00
10/14/09	prep joint evid. list for contempt hearing; tel. confs. w/ laura; prep motion in limine to preclude counsel's testimony.	5.20 325.00/hr	1,690.00
10/15/09	research issues re: contempt motion; review new motion to compel by wiley.	1.50 325.00/hr	487.50
10/16/09	emails court, review order, refile motion.	0.30 325.00/hr	97.50

		Hrs/Rate	Amount
10/19/09	review judge's decision, emails supap, analysis, review court's revised jury instructions, analyze for comment at jury charging conference.,verdict sheet.	1.40 325.00/hr	455.00
10/20/09	emails, review new filings, etc.	1.50 325.00/hr	487.50
10/21/09	prep for and appear in court for charging conference; tel. conf. w/ supap, research service issue, research cases to exclude paypal docs.	6.40 325.00/hr	2,080.00
10/22/09	drafting motion in limine to preclude paypal records. research mult emails opp counsel re: follow-up with court on open is-sues.	6.20 325.00/hr	2,015.00
10/23/09	finalize 2d motion in limine, draft letter to judge, file, emails supap.	2.80 325.00/hr	910.00

		Hrs/Rate	Amount
10/24/09	review appeal papers from lawyer in related case; emails.	1.20 325.00/hr	390.00
10/26/09	review opp to 2d motion in limine; review revised pre-trial or-der, verdict sheet, jury instructions, etc.	1.20 325.00/hr	390.00
10/27/09	prep fro 10/28 hearing, met w/supap re: same, review court orders.	2.50 325.00/hr	812.50
10/28/09	appear in court on contempt hearing examine supap on stand, argue, negotiate terms for pretrial order, argue merits of motion in limine to keep evidence out, review tr., etc.	8.20 325.00/hr	2,665.00
10/29/09	emails, preparing exhibits for trial, etc.	2.30 325.00/hr	747.50
10/30/09	mult tel. confs. w/ supap; draft letter to court.	1.20 325.00/hr	390.00
	For professional serivces rendered	59.10	$19,207.50

		Hrs/Rate	Amount
	Additional Charges		
10/23/09	messenger		15.00
10/28/09	Transcript of contempt hearing		229.50
10/30/09	Copies exhs.		62.00
	Messengers-dunnegan and pogue		30.00

Sam P. Israel, P.C.
1 Liberty Plaza
23rd Floor, Suite 2330
New York, NY 10006

Invoice submitted to:
Supap Kirtsaeng
3637 Mentone Avenue,
Apt. 3
Los Angeles, CA 90034

December 01, 2009
In Reference To: *Wiley v. Kirtsaeng*; SDNY 08-CV-7834
Invoice #12761

Professional services

		Hrs/Rate	Amount
11/1/09	prep for trial and prep w/ supap.	4.20 325.00/hr	1,365.00
11/2/09	prep for trial; tel. conf. w/ court re: remaining is-sues.	6.20 325.00/hr	2,015.00
11/3/09	prep for/draft 3rd motion in limine, argue motion, adduce tes-timony, open-ing statement, try case. closing argument.	10.30 325.00/hr	3,347.50
11/4/09	appear in court w/ supap for verdict; met w/ sk,	3.10 325.00/hr	1,007.50

		Hrs/Rate	Amount
	followup, re-search prospects of motion jnov.		
11/6/09	emails opp counsel, comments on proposed stipulated injunction.	0.30 325.00/hr	97.50
11/9/09	emails/ tel. conf. w/ john mitchell, review contempt order, etc.	0.50 325.00/hr	162.50
11/12/09	dealing w/ opp. counsel re: injunction order.	0.30 325.00/hr	97.50
11/23/09	prep. notice of appeal and support papers.	1.60 325.00/hr	240.00
	For professional services rendered	26.50	$8,332.50
	Additional charges:		
11/23/09	appellate filing fee		455.00
	united lawyers filing service		20.00
11/30/09	correction		9,000.00
	Total additional charges		$9,475.00
	Total amount of this bill		$17,807.50

		Hrs/Rate	Amount
	Previous balance		$12,584.47
	Accounts receivable transactions		
11/6/09	Credit		($9,000)
11/30/09	Credit		($9,000)
	Total payments and adjustments		($18,000)
	Balance due		$12,391.97

Sam P. Israel, P.C.
1 Liberty Plaza
23rd Floor, Suite 2330
New York, NY 10006

Invoice submitted to:
Supap Kirtsaeng
3637 Mentone Avenue,
Apt. 3
Los Angeles, CA 90034

January 03, 2010

In Reference To: *Wiley v. Kirtsaeng*; SDNY 08-CV-7834
Invoice #12787

Professional services

		Hrs/Rate	Amount
12/2/09	start prep forms for appeal—C&D, appendices, etc.	0.70 150.00/hr	105.00
12/3/09	drafting schedules for appeal, assembling, drafting issues for appeal, other matters, etc.	4.30 150.00/hr	645.00
12/4/09	file papers with 2d circuit for appeal.	0.90 150.00/hr	135.00
12/17/09	tel conf. opp counsel re: post trial discovery.	0.20 325.00/hr	65.00

		Hrs/Rate	Amount
12/23/09	emails court re: post judg discovery.	0.20 325.00/hr	65.00
12/23/09	emails court re: post judg discovery.	0.20 325.00/hr	65.00
12/30/09	review exemption notices, etc. re: restrining notice on bank, emails from plaintiff.	0.30 325.00/hr	97.50
	For professional services rendered	6.60	$1,120.50
	Additional Charges:		
12/3/09	tr for appeal		255.00
	copies postage		35.00
	Total additional charges		$290.00
	Total amount of this bill		$1,402.50
	Previous balance		$12,391.97
	Accounts receivable transactions		
12/12/09	Payment — thank you-wire		($8,980.00)
12/28/09	Credit		Amount
	Total payments and adjustments		($8,975.00)

	Hrs/Rate	Amount
		($17,955.00)
Credit balance		($4,160.53)

Sam P. Israel, P.C.
1 Liberty Plaza
23rd Floor, Suite 2330
New York, NY 10006

Invoice submitted to:
Supap Kirtsaeng
3637 Mentone Avenue,
Apt. 3
Los Angeles, CA 90034

February 01, 2010

In Reference To: *Wiley v. Kirtsaeng*; SDNY 08-CV-7834
Invoice #12815

Professional services

		Hrs/Rate	Amount
1/4/10	emails supap; tel. conf. w/ court re: post judgment disc. issues.	0.40 325.00/hr	130.00
1/5/10	tel. conf. w/ counsel press.	0.30 150.00/hr	45.00
1/6/10	call supap; emails opp counsel re: upcoming depo sched., etc.	0.30 325.00/hr	97.50
1/7/10	appear in court for pre-argument conf.; tel.	1.30 150.00/hr	195.00

		Hrs/Rate	Amount
	conf. w/ supap re: appeal.		
1/8/10	emails. re: post judg. discovery. review sub to usc	0.20 325.00/hr	65.00
1/10/10	compiling record for appeal.	2.30 150.00/hr	345.00
	non-appeal work: emails re: new subpoeana.	0.30 325.00/hr	97.50
1/11/10	preparing exhibits for joint appendix on appeal; email opp counsel, tel. conf. w/ opp. counsel.	1.80 150.00/hr	270.00
1/13/10	appeal: further assembling docs for appendix and work w/ counsel press	0.40 150.00.hr	60.00
	non-appeal work; emails.	0.20 325.00/hr	65.00
1/14/10	prep for supap depo and defend same—non-appeal work.	4.10 325.00/hr	1,332.50

		Hrs/Rate	Amount
1/15/10	tel. conf. w/ sk.	0.20 325.00/hr	65.00
1/16/10	appeal work: drafting app. brief.	3.20 150.00/hr	480.00
1/17/10	appeal work. drafting app brief; research re: copyright issues.	6.80 150.00/hr	1,020.00
1/18/10	appeal:drafting brief, research, tel. conf. w/ john re: amicus brief submission, etc.	5.10 150.00/hr	765.00
1/19/10	appeal: drafting brief.	3.20 150.00/hr	480.00
1/20/10	research and drafting brief, review and amend appendix, etc.	6.30 150.00/hr	945.00
1/21/10	appeal—drafting brief, research on issues inc. obj. to jury instructions and section 609.	5.80 150.00/hr	870.00
1/22/10	drafting brief, tel. confs. w/ counsel re: additional submissions, reviewing appendix, correcting, research.	5.30 150.00/hr	795.00

		Hrs/Rate	Amount
1/23/10	appeal—drafting appeal papers, emails other counsel on sep submissions.	7.20 150.00/hr	1,080.00
1/24/10	preparing brief; emails other counsel on amicus submissions.	6.90 150.00/hr	1,035.00
1/25/10	drafting / revising brief; tel. confs w/ counsel press.	7.20 150.00/hr	1,080.00
1/26/10	drafting app brf., etc.	5.10 150.00/hr	765.00
1/27/10	drafting appeal, revising, emails amicus curie counsel, emails counsel press.	5.30 150.00/hr	795.00
1/28/10	drafting /finalizing appeal.	4.50 150.00/hr	675.00
	For professional services rendered	83.70	$13,552.50
	Additional Charges:		
1/26/10	printing down payment		2,000

	Hrs/Rate	Amount
Total additional charges		$2,000
Total amount of this bill		$15,552.50
Previous balance		($4,160.53)
Balance due		$11,391.97

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New York, NY 10006

Invoice submitted to:
Supap Kirtsaeng
3637 Mentone Avenue,
Apt. 3
Los Angeles, CA 90034

March 01, 2010

In Reference To: *Wiley v. Kirtsaeng*; SDNY 08-CV-7834
Invoice #12852

Professional services

		Hrs/Rate	Amount
2/5/10	appeal— emails other counsel re: their sub-missions on appeal.	0.30 150.00/hr	45.00
2/7/10	non-appeal; prep opp to motion to bring assets into state; email supap; research cases dealing with seizure of assets.	2.30 325.00/hr	747.50
2/8/10	drafting opp to motion; tel. conf. w/ supap, re-search.	3.10 325.00/hr	1,007.50

		Hrs/Rate	Amount
2/9/10	drafting opp to motion, research, drafting supap decl., emails.	1.80 325.00/hr	585.00
2/10/10	research motion, emails.	2.40 325.00/hr	780.00
2/12/10	tel. conf. w/ supap, emails, file papers.	0.70 325.00/hr	227.50
2/16/10	review reply brf on mot to receive assets.	0.30 325.00/hr	97.50
2/17/10	review ct order, emails.	0.40 325.00/hr	130.00
	For professional services rendered	11.30	$3,620.00
	Additional Charges:		
2/5/10	further charges from counsel press—printing/publishing appendix for appeal. copies postage		1,214.17
	Total additional charges		$1,214.17

		Hrs/Rate	Amount
	Total amount of this bill		$4,834.17
	Previous balance		$11,391.97
	Accounts receivable transactions		
2/14/10	Payment—thank you		($19,982.00)
	Total payments and adjustments		($19,982.00)
	Credit balance		($3,755.86)

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1 Liberty Plaza
23rd Floor, Suite 2330
New York, NY 10006

Invoice submitted to:
Supap Kirtsaeng
3637 Mentone Avenue,
Apt. 3
Los Angeles, CA 90034

April 01, 2010

In Reference To: *Wiley v. Kirtsaeng*; SDNY 08-CV-7834
Invoice #12891

Professional services

		Hrs/Rate	Amount
3/1/10	review opp on appeal.	0.30 150.00/hr	45.00
3/3/10	call 2d cir, emails john re: reply.	0.40 150.00/hr	60.00
3/7/10	review appelle's brief, research.	0.30 150.00/hr	45.00
3/8/10	review amicus motion tel conf. w/ amicus—john, cont. prep reply brief and review new amicus.	1.70 150.00/hr	255.00

		Hrs/Rate	Amount
3/9/10	drafting reply brief, tel. conf. w/ john.	5.20 150.00/hr	780.00
3/10/10	drafting reply brief.	2.60 150.00/hr	390.00
3/11/10	drafting reply brf.	2.80 150.00/hr	420.00
3/12/10	revise, finalize reply brf, review tables, etc. and emails, review opp to motion for oral argument by amicus.	1.90 150.00/hr	285.00
	For professional services rendered	15.20	$2,280.00
	Previous balance		($3,755.86)
	Credit balance		($1,475.86)

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1 Liberty Plaza
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New York, NY 10006

Invoice submitted to:
Supap Kirtsaeng
3637 Mentone Avenue,
Apt. 3
Los Angeles, CA 90034

May 02, 2010

In Reference To: *Wiley v. Kirtsaeng*; SDNY 08-CV-7834
Invoice #12849

Professional services

		Hrs/Rate	Amount
4/21/10	complete new forms for appeal per court order.	0.30 150.00/hr	45.00
	For professional services rendered	0.30	$45.00
	Previous balance		($1,475.86)
	Credit balance		($1,430.86)

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New York, NY 10006

Invoice submitted to:
Supap Kirtsaeng
3637 Mentone Avenue,
Apt. 3
Los Angeles, CA 90034

June 01, 2010

In Reference To: *Wiley v. Kirtsaeng*; SDNY 08-CV-7834
Invoice #12853

Professional services

		Hrs/Rate	Amount
5/15/10	studying for argument, update research.	2.30 150.00/hr	345.00
5/16/10	reviewing / preparing for argument.	2.70 150.00/hr	345.00
5/17/10	prep for appeal argument.	2.60 325.00/hr	845.00
5/18/10	met w/ norman levine re: prep for argument on 5/19 and prep for argument.	2.80 150.00/hr	420.00

		Hrs/Rate	Amount
5/19/10	prep fro argument on appeal.	5.10 150.00/hr	765.00
5/20/10	emails supap.	0.20 150.00/hr	30.00
	For professional services rendered	15.70	$2,810.00
	Additional Charges:		
5/4/10	counsel press balance for binding, publishing briefs, etc.		3,750.00
5/21/10	taxis to/from court		16.00
	Total additional charges		$3,766.00
	Total amount of this bill		$6,576.00
	Previous balance		($1,430.86)
	Accounts receivable transactions		
5/31/10	Payment—Thank You		($2,000)
	Total payments and adjustments		($2,000)
	Balance due		$3,145.14

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SAM P. ISRAEL, ESQ.

Invoice submitted to:

Supap Kirtsaeng
3637 Mentone Avenue,
Apt. 3
Los Angeles, CA 90034

January 02, 2011

In Reference To: *Wiley v. Kirtsaeng*; SDNY 08-CV-7834
Invoice #13004

Professional Services

		Hrs/Rate	Amount
12/14/10	review costco decision, etter to court by Dunnegan, emails other counsel on decision.	0.30 150.00/hr	45.00
	For professional services rendered	0.30	$45.00

	Hrs/Rate	Amount
Previous balance		$3,145.14
Balance due		$3,190.14

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SAM P. ISRAEL, ESQ.

Invoice submitted to:

Supap Kirtsaeng
3637 Mentone Avenue,
Apt. 3 April 3, 2011
Los Angeles, CA 90034
In Reference To: *Wiley v. Kirtsaeng*; SDNY 08-CV-7834
Invoice #13083

Professional Services

		Hrs/Rate	Amount
3/31/11	review court order on appeal follow-up.	0.30 150.00/hr	45.00
	For professional services rendered	0.40	$60.00
	Previous balance		$3,190.14
	Balance due		$3,250.14

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Invoice submitted to:

Supap Kirtsaeng
3637 Mentone Avenue,
Apt. 3 May 01, 2011
Los Angeles, CA 90034
In Reference To: *Wiley v. Kirtsaeng*; SDNY 08-CV-7834
Invoice #13110

Professional Services

		Hrs/Rate	Amount
4/4/11	tel. conf. w/ john mitchell, emails supap.	0.30 150.00/hr	45.00
4/10/11	researching supplemental brief for appeal, start drafting.	2.30 150.00/hr	345.00

		Hrs/Rate	Amount
4/11/11	drafting response to app order and research.	2.30 150.00/hr	345.00
4/12/11	drafting brief, review letter to appeals court from other counsel.	3.30 150.00/hr	495.00
4/13/11	drafting supp. brief research.	3.60 150.00/hr	540.00
4/14/11	drafting let brief, emails john.	3.80 150.00/hr	570.00
4/15/11	drafting letter brief, emails, file.	3.10 150.00/hr	465.00
4/20/11	review reply brief by wiley	0.30 150.00/hr	45.00
	For professional services rendered	19.00	$2,850.00
	Previous balance		$3,250.14
	Balance due		$6,100.14

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SAM P. ISRAEL, ESQ.

Invoice submitted to:

Supap Kirtsaeng
3637 Mentone Avenue,
Apt. 3 July 31, 2013
Los Angeles, CA 90034
In Reference To: *Wiley v. Kirtsaeng*; SDNY 08-CV-7834
Invoice #13736

Professional Services

		Hrs/Rate	Amount
10/23/12	review argument	1.30 385.00/hr	500.50
10/24/12	prep for argument	1.80 385.00/hr	693.00
10/25/12	moot court by tele-phone	1.40 385.00/hr	539.00

		Hrs/Rate	Amount
10/27/12	prep for superior court	6.20 385.00/hr	2,387.00
10/28/12	prep for & travel to DC for argument	7.80 385.00/hr	3,003.00
10/29/12	appear for argument, prepare & post argument review	7.80 385.00/hr	3,003.00
10/30/12	post argument conference	2.80 385.00/hr	1,078.00
11/2/12	return to NY	3.10 385.00/hr	1,193.00
	For professional services rendered	32.20	$12,397.00
	Additional Charges:		
10/28/12	hotel & travel for Sam & El		2,500
	Total additional charges		$2,500
	Total amount of this bill		$14,897.00
	Previous balance		$11,388.14
	Balance due		$26,285.14

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

John Wiley & Sons, Inc.

Plaintiff,

v.

Supap Kirtsaeng

Defendant.

Civil Action No. 08-cv-7834-DCP

[FILED 8/01/13]

DECLARATION OF E. JOSHUA ROSENKRANZ IN SUPPORT OF DEFENDANT SUPAP KIRTSAENG'S MOTION FOR AN AWARD OF ATTORNEYS' FEES AND REIMBURSEMENT OF LITIGATION EXPENSES

DECLARATION OF E. JOSHUA ROSENKRANZ

I, E. Joshua Rosenkranz, declare as follows:

1. I am a member of the bar of the State of New York and the firm Orrick, Herrington & Sutcliffe, LLP ("Orrick"), counsel to defendant Supap Kirtsaeng ("Mr. Kirtsaeng") in this action. I make this affidavit in support of Mr. Kirtsaeng's Motion For Award of Attorneys' Fees and "Full Costs" Under Section 505 of the Copyright Act.

STATEMENT

2. I have been an appellate litigator for over twenty years and regularly handle matters in the Supreme Court of the United States. I have filed briefs in more than 60 Supreme Court cases and have presented oral argument in the Court eight times. I speak regularly about appellate and Supreme Court practice, including organizing and personally presenting Continuing Legal Education programs focused on the Court for corporate clients and for the bar more generally. I also serve frequently in moot courts as a mock Supreme Court justice to help other advocates prepare for oral argument.

3. I am the billing partner for this client and this matter, and am responsible for overseeing all attorneys' fees and disbursements charged to this matter by Orrick.

4. The core Orrick legal team working on the appeal consisted of three partners, four associates, and one paralegal. Attached hereto as Exhibit A are true

and accurate biographies of the principal Orrick attorneys who worked on the appeal.

5. I served as Orrick's primary lead trial counsel. I am located in Orrick's New York office and head Orrick's Appellate Practice Group. I am *summa cum laude* graduate of Columbia University, a graduate of Case Western Reserve University and a *magna cum laude* graduate of Georgetown University Law Center. I am a former law clerk to U.S. Supreme Court Justice William J. Brennan Jr. and then-Judge Antonin Scalia on the D.C. Circuit. I have personally argued more than 170 appeals in state and federal appellate courts across the nation and have served as attorney of record in some 1,500 other appeals. I have played a leading role in more than a dozen Supreme Court cases, having argued eight in the past eight years. I was named "Litigator of the Year" by the American Lawyer in its January 2012 edition and was named an "Appellate MVP" for 2011 by Law360. My attorney rate was $985 per hour in 2011, and $1,020 per hour in 2012 and 2013.

6. Orrick's team also consisted of two other firm partners who assisted in preparing the appeal, Annette L. Hurst ($820 per hour in 2011, and $850 per hour in 2012-13) and Lisa T. Simpson ($785 per hour in 2011 and $795 per hour in 2012-13). Both are members of Orrick's Intellectual Property Group. Annette Hurst is a partner in Orrick's San Francisco office. Ms. Hurst, a graduate of New York University School of Law and a *magna cum laude* graduate of Miami University, has been named one of the top 75 IP litigators in California by The Daily Journal every year

since 2010 and in January 2013 was named "Female Litigator of the Year—West" by Benchmark Litigation. Ms. Hurst has more than 20 years of experience in copyright litigation. Lisa Simpson is a partner in Orrick's New York Office. Ms. Simpson is a *cum laude* graduate of Duke University and graduated with high honors from Duke School of Law. She too has nearly 20 years of copyright experience.

7 Consistent with my own experience, these billing rates are well within the range of reasonable partner rates for large law firms in New York City. This is confirmed by recent surveys reporting on attorney rates by city. I attach a true and correct copy of one such survey from the National Law Journal as Exhibit B. The National Law Journal Survey lists the range of partner billing rates in New York City for firms of similar size as between $550 per hour and $1200 per hour.

8. Orrick's core team also included four associates, Marc R. Shapiro, Alex J. Feerst, Brian D. Ginsberg, and Nicholas F Lenning, whose hourly rates ranged from $330 per hour to $615 per hour, depending on seniority. These rates were reasonable and consistent with rates at NYC firms of similar size during the applicable time period. *See* Exhibit B.

9. Marc R. Shapiro graduated *cum laude* from New York University School of Law in 2003. Alex J. Feerst graduated from Columbia Law School in 2009. Mr. Feerst externed for the Honorable Barbara S. Jones of the Southern District of New York and the Honorable Sonia Sotomayor then of the Second Circuit Court of Appeals. Brian D. Ginsberg graduated

from Columbia Law School in 2007. Mr. Ginsberg has clerked for the Hon. Michael A. Chagares of the U.S. Court of Appeals for the Third Circuit and the Hon. Anita B. Brody of the U.S. District Court for the Eastern District of Pennsylvania. Nicholas F. Lenning graduated for Duke Law School in 2011. Mr. Lenning clerked for the Hon. Paul L. Friedman of the U.S. District Court for the District of Columbia.

10. Mr. Shapiro left the team in 2012 to serve as clerk to Judge Betty B. Fletcher of the U.S. Court of Appeals for the Ninth Circuit and was replaced on the team by Brian D. Ginsberg. The requested fee amount on this motion has been adjusted to account for this change in staffing by deleting time recorded by Mr. Ginsberg spent familiarizing himself with the issues in the case and transitioning from Mr. Shapiro to Mr. Ginsberg.

11. The lead paralegal on the team, Juanita M. Greenfield, has been a legal assistant for nine years and has worked on numerous complex litigations.

12. Additional attorneys and support staff assisted with the appeal as needed, providing valuable and important assistance. However, Orrick is only seeking attorneys' fees for the core legal team on this motion.

13. Assembling a team with this number and assortment of attorneys is typical and customary for appeals to the U.S. Supreme Court.

14. During the course of the appeal, several attorneys' standard hourly rates were increased at the

beginning of the 2012 and 2013 calendar year. Those increases were customary in the legal industry for firms of Orrick's size and were made in consultation with the industry practice as a whole.

15. The rates sought here are the standard rates that Orrick charges paying clients. Orrick surveys the market before setting our rates and has come to conclude that these rates are customary.

16. Pursuing an appeal before the Supreme Court requires numerous rounds of briefing (the petition for certiorari, the reply on that petition, the opening merits brief, and the reply merits brief), the identification and coordination of the amici, and the preparation for the oral argument. In my experience it is reasonable and customary to dedicate significant time to each of these important tasks. While litigating other cases before the U.S. Supreme Court, my teams have dedicated a similar number of hours.

The Certiorari Stage

17 My team's involvement in this case began at the petition-for-certiorari stage.

18. After the Second Circuit denied Mr. Kirtsaeng's appeal, and denied his request for hearing en banc, Mr. Kirtsaeng and his counsel enlisted Orrick for assistance in seeking review by the U.S. Supreme Court. In my experience it is very common for parties with cert-worthy issues to retain specialized appellate practitioners, particularly those specialized in appeals before the U.S. Supreme Court, to work

alongside the party's current counsel to bring and argue the case before the Supreme Court.

The Cert Petition

19. The first thing we did in preparing the cert petition was formulate our legal argument. To be sure, our primary focus was on demonstrating that the Second Circuit's decision created a split of appellate authority, and that the issues involved were nationally and urgently important. But, as a preliminary matter, we had to craft and fully explore our actual merits position.

20. And from the beginning, we knew this was no ordinary case and that we faced an unusually difficult challenge.

21. This case presented a uniquely complex question: what is the meaning of the phrase "lawfully made under this title" in § 109(a) of the Copyright Act. While the question focuses on those five little words, the interplay (1) internally between the countless provisions of the Copyright Act and (2) externally between copyright, patent, and trademark law causes repercussions throughout intellectual property that had to be considered.

22. Two years earlier, the Supreme Court had considered the exact same question, whether the "first sale" doctrine applies to copyrighted works made abroad, in *Costco v. Omega*, 131 S. Ct. 565 (2010), and reached an impasse. With Justice Kagan recused, the Court split four to four, leaving the ques-

tion unresolved. On top of this, Justice Kagan, as Solicitor General, had authored a lower-court amicus curiae brief in that case arguing *against* the side taking "our" position. In short, before any brief was submitted in this case, four justices were pre-disposed against us, with a fifth potentially leaning the same direction.

23. To combat the entrenched four-to-four split from *Costco*, we adopted a novel legal argument that was not presented previously. In *Costco*, the petitioner presented a "hybrid" approach to the first-sale doctrine: copies made overseas were subject to the first-sale doctrine *unless* the copies are subject to a foreign distributor's exclusive license to operate in a particular country. While this position sought to reconcile language from a prior Supreme Court opinion, *Quality King Distributors, Inc. v. L'Anza Research International, Inc.*, 523 U.S. 135 (1998), it was unmoored from the statutory text. Because this argument was unsuccessful, we offered a more statutorily faithful argument, but one that encountered additional problems in attempting to reconcile the Supreme Court's prior language in the *Quality King* case.

24. In light of the prior history before the Supreme Court and the new arguments presented by both the Ninth Circuit and the Respondent, we could not simply resubmit the same arguments as had been presented in *Costco*. Instead, the legislative history, legal precedent and Copyright Act had to be approached from a new perspective, requiring entirely

new and substantial research. This included collecting and reviewing the entirety of the legislative history record of relevant portions of the Copyright Act and conducting legal research into a wide range of areas of the law.

25. Another critical element of our cert petition was demonstrating that the underlying issue in the case was nationally important, and that the resolution of the issue was urgently required. We drew from a wide variety of sources to make these showings, and there is no one-size-fits-all approach. A tremendous amount of research had to be done, empirical evidence gathered and analyzed, and the like.

26. In our case, the empirical policy questions largely involved the scope of the issue *(i.e.*, how many and what industries relied upon the first-sale doctrine), and the effect of resolving that issue according to our position or Respondent's. That meant examining reams of business and manufacturing data apart from more traditional legal sources.

27 We argued that even measured against cases important enough to reach the high court, this case carried unusually high stakes: a multi-billion market, impacting everyday consumers and global corporations, hung in the balance. As Reuters noted at the time, "this is a hugely consequential issue." Reuters, Supreme Court takes another look at gray market resales, April 17, 2012, *available at*_http://www.reuters.com/article/2012/04/17/us-frankel-graymarket-idUSBRE83G15H20120417 (attached as Exhibit C). If Wiley prevailed, we argued, copyright holders would gain the power to exert permanent downstream

control over the sale of used copies. Meanwhile, if we prevailed, copyright holders would likely lose the ability to segment markets, resulting in a significant loss of revenue. Thus, as Reuters observed, the Court's "ultimate ruling w[ould] profoundly affect the approximately $63 billion "gray market" business." *Id.*

The Amicus Process

28. The cert-stage work did not end after the cert petition was filed, however.

29. To further demonstrate the importance of the case, we coordinated with a variety of amici curiae to show (in addition to simply tell) how major players across a broad spectrum of constituencies were keenly interested in the case and want it to be resolved in the way we were urging.

30. This process was so time-consuming that it required dedicated attention separate and apart from preparing the cert petition. We had to identify the potential amici, and then develop custom-tailored pitches to present to them. Then, we had to coordinate with each amicus and among amici to ensure that each of their briefs added value to the effort and wasn't merely duplicative of other submissions. Additionally, this job was inherently complex simply because the whole idea was to assemble as many and as diverse a group of supporters as possible, but the coordination required grew exponentially as the number of amici got larger and larger.

31. We coordinated a diverse group of cert stage amici, including:

a. eBay

b. NetCoalition

c. the Computer & Communications Industry Association

d. the Internet Commerce Coalition

e. TechNet

f. NetChoice

g. TechAmerica

h. Public Knowledge

i. Electronic Frontier Foundation

j. U.S. Public Interest Research Group

k. the Retail Industry Leaders Association

l. American Free Trade Association

m. Quality King Distributors

32. Each of these amici either filed or joined in a brief supporting our cert petition.

Reply Brief

33. After the amicus process concluded, the next step is to prepare a reply brief addressing the issues raised by the Respondent's brief in opposition to cert. This required additional research and strategizing Respondent made numerous arguments, including that no "circuit split" was implicated, that the Second Circuit's opinion was consistent with Supreme Court precedent, and that the Court's review was unnecessary because nothing had changed since *Costco*.

34. In total, 5 Orrick attorneys—myself, as well as Annette L. Hurst, Lisa T. Simpson, Marc R. Shapiro, and Alex J. Feerst—spent approximately 634 hours performing the work necessary to adequately complete all the cert-stage tasks: producing the cert petition, coordinating the amicus effort, and producing the reply brief. In my experience, having represented clients in at least two dozen cert-stage matters, this expenditure of efforts was customary and reasonable.

Merits Stage

35. Once the Court granted cert, we proceeded to the merits stage.

Opening Brief

36. While we had already put considerable effort into refining our merits position, now the merits were the main event, and it became critical to formu-

late our position comprehensively and with full precision. Our opening brief presented four principal arguments:

a. First, we argued that the ambiguity arising from the "lawfully made under this title" language of § 109(a) arose as much from § 602 (the importation provision) as from § 109 itself. But we argued this ambiguity had been resolved by a prior Supreme Court case, *Quality King*, with § 109 taking precedence over § 602.

b. Second, we argued that our interpretation of "lawfully made under this title" was the most consistent with other provisions of the Copyright Act and the Copyright Act's legislative history.

c. Third, we argued that arguments typically offered in support of Wiley's position caused havoc with other provisions of the Copyright Act. We also argued that, contrary to Wiley's assertions, our interpretation did not implicate the presumption against extraterritoriality nor was it inconsistent with language from *Quality King*.

d. Fourth, we argued that canons of statutory interpretation and various presumptions concerning congressional intent favored our interpretation.

The Amicus Process

37 Also, we had to start the amicus process over again, launching a new and expanded effort, and coordinating with existing and new amici as they, too, fine-tuned their approach to the merits stage. We were fortunate enough to be able to coordinate the following amici:

a. American Library Association

b. The Association of College and Research Libraries

c. The Association of Research Libraries

d. The Association of Art Museum Directors

e. The Art Institute of Chicago

f. The J. Paul Getty Trust

g. Museum Associates d/b/a Los Angeles County Museum of Art

h. The Museum of Modern Art

i. The San Francisco Museum of Modern Art

j. The Solomon R. Guggenheim Foundation

k. The Whitney Museum of American Art

l. The Asian Art Museum, Chong-Moon Lee Center for Asian Art and Culture

m. The Cedar Rapids Museum of Art

n. The Cleveland Museum of Art

o. The Columbus Museum

p. The Currier Museum of Art

q. The Dallas Museum of Art

r. The Farnsworth Art Museum

s. The Flint Institute of Arts

t. The Georgia Museum of Art

u. The Hunter Museum of American Art

v. The Indiana University Art Museum

w. The Michael C. Carlos Museum

x. The Milwaukee Art Museum

y. The Mint Museum

z. The Museum of Latin American Art

aa. The Nasher Museum of Art at Duke University

bb. The Palmer Museum of Art

cc. The Philbrook Museum of Art

dd. The Portland Art Museum

ee. The Timken Museum of Art

ff. The Toledo Museum of Art

gg. The Walker Art Center

hh. Association of Service and Computer Dealers

ii. Costco Wholesale Corporation

jj. eBay Inc.

kk. Google, Inc.

ll. Center for Democracy & Technology

mm. CHEGG

nn. Computer & Communications Industry Association

oo. Internet Commerce Coalition

pp. NetCoalition

qq. NetChoice

rr. TechAmerica

ss. Entertainment MerchanNetts Association

tt. National Association of Recording Merchandisers

uu. Goodwill Industries International, Inc.

vv. Powell's Books Inc.

ww. Strand Book Store, Inc.

xx. Half Price Books, Records, Magazines, Inc.

yy. Harvard Book Store Inc.

zz. Public Knowledge

aaa. Electronic Frontier Foundation

bbb. American Association of Law Libraries

ccc. Special Libraries Association

ddd. U.S. Public Interest Research Group

eee. Retail Litigation Center, Inc.

fff. National Association of Chain Drug Stores

ggg. American Free Trade Association

hhh. International Imaging Technology Council

iii. Quality King Distributors, Inc.

jjj. Professor Howard Abrams

kkk. Professor Margreth Barrett

lll. Professor Annemarie Bridy

mmm. Professor Irene Calboli

nnn. Professor Andrew Chin

ooo. Professor Margaret Chon

ppp. Professor Ralph Clifford

qqq. Professor William Gallagher

rrr. Professor Shubha Ghosh

sss. Professor Llewellyn Gibbons

ttt. Professor Eric Goldman

uuu. Professor Faye Jones

vvv. Professor Ariel Katz

www. Professor Yvette Liebesman

xxx. Professor Deirdre Mulligan

yyy. Professor Aaron Perzanowski

zzz. Professor David Post

aaaa. Professor Blake Reid

bbbb. Professor Pamela Samuelson

cccc. Professor Jason Schultz

dddd. Professor Jessica Silbey

eeee. Professor Katherine Strandburg

ffff. Professor Rebecca Tushnet

gggg. Professor Jennifer Urban

hhhh. Professor Ryan Vacca

Reply Brief

38. Respondent filed its response brief, and, also like during the cert stage, we expended considerable effort determining the best way to address Respondent's points in our reply brief.

39. But this reply brief required more effort still, because, unlike at the cert stage, the respondent enlisted amici supporting its position, and we had to respond to those arguments, as well.

40. Most notably, the U.S. Solicitor General participated as one of respondent's amici and filed a brief against us. The SG is the most influential litigant before the Supreme Court. Thus, even though the SG was not a formal party to the case, its brief had to be addressed with the same level of scrutiny and exaction as Wiley's brief. And the SG made some inventive arguments that were not made by Wiley and therefore required substantial new legal and historical work. For example, instead of making a statutory interpretation argument, the SG presented an argument rooted in common law: that a century-old Supreme Court case, *Bobbs-Merrill*, had determined the extent of the "right to vend" which had been incorporated into the Copyright Act when it was passed. Thus, the SG argued that the "right to vend" provided a separate limitation on copyright holders, before the first sale doctrine is implicated. This unique argument had not been presented by any party in either *Costco* or *Kirtsaeng*, or even by the SG himself in previous cases.

41. In total, 7 Orrick attorneys and support staff—myself, as well as Annette L. Hurst, Lisa T. Simpson, Marc R. Shapiro, Alex J. Feerst, Brian D. Ginsberg, Nicholas F. Lenning, and paralegal Juanita M. Greenfield—spent approximately 1399 hours performing the work necessary to adequately complete the opening brief and coordinate the amicus effort for

the merits portion of the case, and approximately 678 hours producing the reply brief. In my experience, this expenditure of effort was typical for this stage of a U.S. Supreme Court appeal.

Oral Argument

42. After briefing was complete, the next step was to focus on oral argument. And even though the issues have already been narrowed and focused by the briefing, preparing for oral argument was a huge undertaking. The Court didn't have to stick to any script; it could ask about anything and everything: doctrinal legal issues, policy implications, factual questions, and everything else on the spectrum. To prepare for this, my team went back through the Supreme Court briefs—party and amicus, cert and merits, amounting to approximately 1,000 of pages of material across 34 briefs—the joint appendix and cert petition appendix, the briefing and appendices in the Second Circuit, and the record in the district court to prepare for all conceivable fact questions, procedure questions, law questions, policy questions, practical questions, and multi-layered hypotheticals.

43. Thereafter, I organized and prepared for several moot courts, inviting other Orrick lawyers and sometimes outside parties to judge and critique my oral argument. Each moot consisted of an "argument" session of an hour or two, where the panelists played the role of Supreme Court justices asking me questions, and an approximately-one-hour postmortem, where the entire assembled group discussed the argument and offers advice and comments. It is standard

practice among appellate specialists to perform moot courts while preparing for a Supreme Court case.

44. For this particular case, we arranged three moot courts.

45. The first moot was an internal one, with Orrick lawyers and outside co-counsel serving as the mock justices.

46. The second moot was held at the Georgetown University Law Center's Supreme Court Institute ("SCI"). The panel here included a diverse group of outside lawyers: private-practice appellate specialists, copyright professors, alumni of the SG's office, and more.

47 The third moot was held at the offices of Public Citizen. The panel for this moot consisted of copyright experts and private-practice appellate specialists including Roy Englert, the lawyer who argued "our" position in *Costco*.

48. After the moots, I continued to dialogue with the Orrick team and review and revise my preparatory materials. This review and revision continued up to (and, indeed, during the early morning of) the day of argument.

49. In my experience this type of preparation is typical for an argument before the Supreme Court.

50. In total, 6 Orrick attorneys and support staff—myself, as well as Annette L. Hurst, Lisa T. Simpson, Alex J. Feerst, Brian D. Ginsberg, Nicholas

F. Lenning, and paralegal Juanita M. Greenfield—spent approximately 432 hours helping prepare me for oral argument.

The Decision

51. The Supreme Court decided the case in our favor in a six-to-three majority opinion authored by Justice Breyer. It held that the first-sale doctrine applies to copyrighted goods no matter where they were manufactured.

52. The media widely recognized this result as extraordinary. They noted that Mr. Kirtsaeng overcome a U.S. government that "tried, and failed, to convince the court to apply a narrower definition to the first-sale doctrine," Daniel Fisher, Forbes, Supreme Court Upholds Right To Sell Foreign-Published Books, available at http://www.forbes.com/sites/danielfisher/2013/03/19/supreme-court-upholds-right-to-sell-foreign-published-books (attached as Exhibit D), and that the decision was "likely worth billions, even trillions, of dollars" and had "repercussions that extend from trade policy to yard sales." Nina Totenberg, NPR, Supreme Court OKs Discounted Resale of "Gray Market" Goods, available at http://www.npr.org/blogs/thetwo-way/2013/03/19/174757355/supreme-court-oks-discounted-resale-of-gray-market-goods (attached as Exhibit E). News outlets recognized it as a "victory for those who buy and sell books, movies, music, and artwork, and perhaps even furniture, electronics, automobiles and clothing—anything that may be considered 'intellectual property.'" Bill Mears, CNN, High court rules for seller in copyright dispute over foreign-

made goods, available at http://www.cnn.com/2013/03/19/us/supreme-court-copyright-dispute/index.html?iref=allsearch_____(attached as Exhibit F). The result "surprised legal experts from both camps." April Dembosky, Financial Times, Publishers mull tech tactics after legal defeat over imports, available at http://blogs.ft.com/tech-blog/2013/03/publishers-mull-tech-tactics-after-legal-defeat-over-imports (attached as Exhibit G). It was called a "major development, both for the industry, and for the broader debate over copyright in the digital age." Andrew Albanese, Publisher's Weekly, What Does *Kirtsaeng v. Wiley* Mean For the Industry?, available at http://www.publishersweekly.com/pw/by-topic/industry-news/publisher-news/article/56491-a-textbook-case.html (attached as Exhibit H).

53. Additionally. SCOTUSblog lauded the value of the oral argument in particular. It opined that "[t]his well might be the rare case of a victory at oral argument." Ronald Mann, SCOTUSblog, Opinion analysis: Justices reject publisher's claims in gray-market copyright case, available at_http://www.scotusblog.com/2013/03/opinion-analysis-justices-reject-publishers-claims-in-gray-market-copyright-case/ (attached as Exhibit I).

54. All told, 7 Orrick attorneys and support staff spent approximately 3,144 hours litigating this matter from start to finish in the Supreme Court. In my experience, that expenditure of effort was customary and reasonable for such an appeal.

SUMMARY OF TOTAL EXPENDITURES

55. The hourly rates for the partners working on this matter, and the hours worked, were as follows:

ATTORNEY	2011 RATE	2012 RATE	2013 RATE	HOURS
Annette L. Hurst	$820 per hour	$850 per hour	$850 per hour	227.80
E. Joshua Rosenkranz	$985 per hour	$1,020 per hour	$1,020 per hour	455.10
Lisa T. Simpson	$785 per hour	$795 per hour	$795 per hour	239.00

56. The hourly rates for the associates working on this matter, and the hours worked, were as follows:

ATTORNEY	2011 RATE	2012 RATE	2013 RATE	HOURS
Alex J. Feerst	$330 per hour	$450 per hour	$450 per hour	524.00
Brian D. Ginsberg	n/a	$615 per hour	$615 per hour	346.20
Nicholas F Lenning	n/a	$355 per hour	$450 per hour	431.70

Marc R. Shapiro	$530 per hour	$575 per hour	n/a	711.25

57. The hourly rates for the support staff working on this matter, and the hours worked, were as follows:

PARALEGAL	2011 RATE	2012 RATE	2013 RATE	HOURS
Juanita M. Greenfield	n/a	$250 per hour	n/a	208.65

58. Across all Orrick attorneys and support staff, the total number of hours worked was 3,143.70.

59. Attached hereto as Exhibit J is a spreadsheet generated from billing records for this matter, as maintained by Orrick in the regular course of business. The spreadsheet reflects Orrick attorneys' and paralegal's time spent on this matter. The spreadsheet includes an itemized, chronological list of each attorney's and paralegal's time recorded, along with corresponding detailed descriptions for the work performed. As noted above, we have removed from this spreadsheet all non-core timekeepers and additional time to account for personnel changes and other billing inefficiencies. As indicated on the spreadsheet, the fees spent on this matter total $1,884,230.

60. Attached hereto as Exhibit K is a spreadsheet, created from invoices generated for this matter, reflecting disbursements generated in this matter related to the appeal. The disbursements include, for ex-

ample, outside vendor costs, word processing and document costs, travel expenses, and telephone and other communication costs.

61. The total amount of disbursements sought by Orrick is $40,412.54. I declare under penalty of perjury that the foregoing is true and correct. Executed this 31st day of July, 2013, at New York, New York.

/s/ E. Joshua Rosenkranz
E. Joshua Rosenkranz

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JOHN WILEY &
SONS, INC.,

Plaintiff,

Case No. 08-cv-07834 (DCP) [FILED 10/24/13]

v.

SUPAP KIRTSAENG,

Defendant.

DECLARATION OF MARIA DANZILO IN SUPPORT OF PLAINTIFF'S OPPOSITION TO DEFENDANT'S MOTION FOR ATTORNEY FEES

I, Maria A. Danzilo, hereby declare pursuant to 28 U.S.C. § 1746 that the following is true and correct:

1. I am Legal Director at John Wiley & Sons, Inc. ("Wiley"). My responsibilities at Wiley involve the protection of its copyrights, including its copyrights in its higher education textbooks. Among other things, I supervise Wiley's efforts to enforce its copyrights via litigation. I am making this declaration in support of Plaintiff Wiley's Opposition to Defendant Supap Kirtsaeng's Motion for Attorney Fees.

2. Although Defendant in the above-referenced action seeks a substantial award pursuant to 17 U.S.C. § 505, his fee petition failed to include certain

basic information. When asked to provide this information, Defendant, acting through his counsel, refused. Accordingly, via letter to Judge Pogue dated September 18, 2013, Wiley requested a conference with the Court. A copy of that letter is attached hereto as **Exhibit A**.

3. I have been informed that in response to Wiley's letter, the Court held a telephone conference on September 26, 2013. After hearing argument, the Court overruled Defendant's objections to producing copies of his fee agreements/billing arrangements with his trial and appellate counsel, along with information sufficient to identify what amounts had been invoiced, had been paid, and by whom. The Court ordered Defendant to produce these materials by October 10, 2013. During that conference, Wiley indicated it was willing to identify the amount of its legal fees, broken down by the various phases of this case. Wiley's disclosures, which are also due by October 10, 2013, are set forth in the following paragraphs.

4. From inception of this case until shortly after Defendant filed his petition in the Supreme Court, and then for a period of time after remand from the Supreme Court, the law firm of Dunnegan & Scileppi, LLC (and its predecessor, Dunnegan LLC, collectively "Dunnegan") served as Wiley's principal outside counsel in this matter. During that period, Dunnegan billed a total of $162,407.50 in fees and $16,965.20 in costs. That figure breaks down roughly as follows: $133,855.21 in fees and $16,530.28 in costs at the trial level; $22,204.79 in fees and $307 71 in costs at the Second Circuit; and $6,347.50 in fees

and $127.21 in costs at the Supreme Court or thereafter.

5. In connection with opposing Defendant's efforts to appeal the Second Circuit Court of Appeals ruling to the United States Supreme Court, Wiley retained the law firm of Gibson Dunn & Crutcher LLP ("Gibson Dunn"). Led by Theodore B. Olson, Gibson Dunn charged a flat fee of $300,000. That flat fee included $50,000 to prepare a brief in opposition to the petition for a writ of certiorari. The remaining $250,000 was for Gibson Dunn to prepare an opening and reply brief in the Supreme Court, as well as to prepare for and participate in oral argument.

6. In addition to Dunnegan and Gibson Dunn, Wiley has recently retained Oppenheim + Zebrak, LLP ("O+Z") to oppose Defendant's fee petition. Those fees and costs are ongoing.

I declare under penalty of perjury that the foregoing is true and correct.

/s/ Maria A. Danzilo
Maria A. Danzilo

Executed on October 9, 2013
in Hoboken, NJ

Oppenheim + Zebrak, LLP

Matthew J. Oppenheim
4400 Jenifer Street, NW
Suite 250
Washington, DC 20015
matt@oandzlaw.com

September 18, 2013

Via ECF [FILED 10/24/13]

The Honorable Donald C. Pogue
Chief Judge
U.S. Court of International Trade
One Federal Plaza
New York, N.Y. 10278-0001

Re: ***John Wiley & Sons, Inc. v. Supap Kirtsaeng*; 08-cv-7834 U.S. District Court for Southern District of New York**

Dear Judge Pogue:

We represent Plaintiff John Wiley & Sons, Inc. in the above-referenced matter. Pursuant to Rule 37.2 of the Local Rules for the U.S. District Court for the Southern District of New York, Plaintiff respectfully asks for a conference with the Court concerning its request that Defendant Supap Kirtsaeng produce certain limited billing documentation. The information at issue is discrete in scope and unquestionably relevant. It bears directly upon the propriety of Defendant's counsel's extraordinary request for an award of over $2 million in attorneys' fees and costs, filed on July 31, 2013.

As Plaintiff will explain in detail, it is clear that no fee award should be granted in this case. Plaintiff lost only as a result of a complex ruling from the United States Supreme Court, after Plaintiff had earlier prevailed both at trial and on appeal. Under the

controlling Supreme Court and Second Circuit authority, Plaintiff acted in an objectively reasonable manner in asserting claims well founded in fact and law. The purposes of the Copyright Act will not be furthered in any manner by a fee award in the unique circumstances presented, let alone in the extraordinary amount requested by Defendant's counsel. Yet as the Court considers Defendant's fee request, it is critically important that it have access to those key facts that movants typically provide in a petition, but which Defendant has omitted.

Despite Plaintiffs attempts to meet and confer with Defendant, he has refused to voluntarily produce the requested documentation. His objections, discussed below, are without merit. Accordingly, Plaintiff requests that the Court compel Defendant to produce the requested information within 7 days of the Court's order, and that Plaintiff's opposition to the fee petition be due within 14 days thereafter. Any reply should be due 14 days after Plaintiff's opposition.

BACKGROUND

In this copyright infringement action, Plaintiff initially prevailed against Defendant at trial. The Second Circuit subsequently affirmed that award. The United States Supreme Court ultimately ruled in favor of Defendant on March 19, 2013. *Supap Kirtsaeng v. John Wiley & Sons, Inc.*, — *U.S.* —, 133 S. Ct. 1351, 185 L. Ed. 2d 392 (2013). As a result, all that remains is Defendant's motion for attorneys' fees and costs under the Copyright Act, 17 U.S.C. § 505. (Dkt. 92-26.)

Defendant seeks an award for, in his own words, an "astronomical" amount of legal work performed by Orrick, Herrington & Sutcliffe, LLP ("Orrick") at the Supreme Court stage of the case. (Dkt. 92-26, at 15.) A seven-lawyer team at Orrick handled the Supreme Court appeal to the tune of over 3,000 hours at rates of up to $1,020 per hour, resulting in notional legal fees of $1,884,230 and costs of $40,412.54. (Dkt. 92-14, at 17-18)[1] For reasons that are not yet disclosed, Orrick willingly undertook this matter fully recognizing that Mr. Kirtsaeng could not pay and would not be expected to pay these exorbitant fees.

So the Court is aware, Defendant in this case, Mr. Kirtsaeng, never actually paid anything to satisfy the judgment in this case (before it was overturned). Rather, long ago, Mr. Kirtsaeng apparently left the United States and returned to his native Thailand.

In any event, the fee petition does not indicate: (i) whether Defendant is responsible for paying the requested fees; (ii) whether the Orrick representation was at no cost to him; (iii) whether Orrick invoiced him for any of its work; (iv) whether he has paid Orrick anything to date; (v) the amount he has paid Israel to date; (vi) whether Orrick had agreed to charge Defendant a discounted rate, but now seeks to recover

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[1] Defendant also seeks an award for the work by his trial counsel, Sam P. Israel, P.C. ("Israel"), at all phases of the case. Defendant provided the Court with a total of twenty-two invoices for his work. (Dkt. 92-1, 11-13.) In tallying these invoices, it appears Defendant seeks an award of $105,454.50 in legal fees and $19,656.62 in costs for Israel's legal services.

its full "rack rates"; (vii) whether there are agreements or understandings in place concerning who keeps what portions of any fee award for work done by Orrick and/or Israel; and (viii) whether some other entity has already paid Orrick for its work on this matter.

In light of these significant omissions, Plaintiff made two requests to Defendant. First, Plaintiff asked for a copy of each billing arrangement (and any modifications thereto) that Defendant entered into with Israel, the Orrick law firm, and/or any other individual or entity concerning any of the fees or costs sought in the instant fee petition. Second, Plaintiff asked Defendant for information sufficient to identify what portions of the fee and cost entries in the instant fee request have been invoiced to Defendant and on what dates, along with information sufficient to show what amounts have been paid and by whom. Defendant's counsel has flatly refused to accommodate Plaintiffs request, no doubt hoping for his fee petition to be determined without consideration of this information.[2]

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[2] Unfortunately, it is not unheard of in cases like this for a prevailing Defendant to seek a fee award for amounts the Defendant had not paid and has no legal obligation to pay, where the Defendant would actually receive an improper windfall payment. In a parallel case to this one, *Pearson Educ., Inc. and John Wiley & Sons, Inc. v. Ganghua Liu,* non-party Costco Wholesale Corp. paid its prior Supreme Court counsel to take control of defendant Liu's efforts to appeal her case to the Supreme Court. *Pearson Educ.,* Case No. 1:08-cv-06152 (S.D.N.Y.) (Dkt. 85, at 6-7). The billing arrangement, which was initially not disclosed with defendant's fee petition, provided that the representation

ARGUMENT

In light of his surprising petition, Defendant should be required to produce the limited information reasonably requested by Plaintiff. This information is germane to Defendant's fee request and Plaintiff should have an adequate opportunity to include it in its opposition brief for the Court's consideration. Defendant's reasons for withholding the requested information are baseless.

1. Relevance

The information at issue is important to the Court's review of Defendant's fee request.

First, the information sought is relevant to whether the Court considers a fee award at all. The Copyright Act accords discretion to courts to award reasonable attorneys' fees, but it does not mandate an award for the prevailing party. 17 U.S.C. § 505. The statute indicates that, "the court in its discretion may allow the recovery of full costs by or against any party ...the court may also award a reasonable attorney's fee to the prevailing party as part of the costs." 17 U.S.C. § 505. In determining whether it is appropriate to exercise its discretion, the factors to be considered by a court include: (1) objective unreasonableness; (2) frivolousness; (3) motivation; and (4) the

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was at no cost to Liu. The arrangement also provided that she and her trial counsel would split two-thirds of any award for the fees that Costco paid to its Supreme Court counsel for this work. *Id.* There, Judge Forrest indicated that Liu's fee petition will be denied by the Court. *See id.* (Dkt. 93).

need in particular circumstances to advance considerations of compensation and deterrence. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n.19, 114 S. Ct. 1023, 127 L. Ed. 2d 455 (1994). The information Defendant is withholding has direct relevance to the fourth *Fogerty* factor. In considering the need for compensation, it certainly is relevant whether Defendant is actually responsible for paying the fees for which "he" seeks to recover an award as part of "his costs," whether and to what extent he or anyone else has paid any amounts to date, and who or what entities are entitled to any fee award.

Even apart from its relevance to the *Fogerty* analysis, the requested information is important in the event the Court determines that some fee award is warranted and what is the appropriate amount. The Second Circuit has instructed that an attorney fee award as part of a party's "full costs" is to be made, if at all, to the prevailing party, not its counsel. *Crescent Publ'g Group, Inc. v. Playboy Enters.*, 246 F.3d 142, 150 (2d Cir. 2001) (citations omitted). It has added that a fee award should not amount to a "windfall" for the prevailing party, nor should a court award a fee that could be considered a penalty. *Id.* at 151. Accordingly, actual billing arrangements like those sought here are a "significant factor in determining what rate is 'reasonable" under the Copyright Act. *Id.*; *see also SEC v. Comsery Corp.*, 908 F.2d 1407, 1414-15 (rejecting fee request under the Equal Access to Justice Act on grounds that the individual's employer paid his legal expenses and the individual had no legal obligation to pay them, and to hold he "incurred" such fees would be "to turn the word upside down").

While Defendant has failed to disclose what he has paid (or not paid), case law makes clear that "the question of whether or not legal bills were paid by the client may be relevant" as to whether the fees are reasonable. *Therapy Prods. v. Bissoon* No. 07 Civ 8696, 2010 WL 2404317, 2010 U.S. Dist. LEXIS 67549, at *20-21 (S.D.N.Y. Mar. 31, 2010); *see also, e.g., Peter Fabrics, Inc. v. S.S. Hermes,* 765 F.2d 306, 317 (2d Cir. 1985) ("where actual payments are not being made by the indemnitee, lawyers and clients are more likely to inflate their estimate of what they would have agreed to as a reasonable fee."); *Video-Cinema Films, Inc. v. CNN, Inc,* No. 98 Civ. 7128, 2004 WL 213032, 2004 U.S. Dist. LEXIS 1428 (S.D.N.Y. Feb. 3, 2004) (refusing to award more in fees than the prevailing defendant actually paid to its counsel).

The fee petition mandates the appropriateness of this request. In his brief, Defendant claimed that he "expended a great amount of his personal and family's resources" defending this action. (Dkt. 96, at 2.) Defendant asserted that he "incur[red] astronomical costs and fees" with his appeal. (*Id.*, at 15.) Defendant further argued that a fee award is appropriate because he should not have to "shoulder the costs of his successful defense." (*Id.*, at 19.) Throughout he also attempts to develop a "David v. Goliath" theme. (*Id.*, at 4.) Having repeatedly made these assertions, it would be unfair for Defendant to withhold information such as what he has paid to date, whether he is responsible for paying other amounts, whether someone else has already paid Orrick, and other key terms concerning the fee arrangement. Costco Wholesale Corp., for example, an active, behind-the-scenes

participant in a similar case, *Pearson Education, Inc. and John Wiley & Sons, Inc. v. Ganghua Liu*, Case No. 1:08-cv-06152 (KBF), pending in the Southern District of New York, is certainly not a "David" in this type of litigation.

Defendant does not even appear to contest the relevance of the foregoing information sought by Plaintiff. Instead, Defendant tries to justify withholding the information by arguing that the request is untimely or should be allowed only if he receives "reciprocal access" to Plaintiff's billing records. Defendant is wrong.

2. **The Request is Timely**

Defendant's argument that Plaintiff's request is untimely, or lacks a procedural basis, is disingenuous. In fact, Defendant himself has sought production of Plaintiff's billing information. (Dkt. 92-26, at 38 n.6.) Defendant thus recognizes that the Court may require the production of documents at this stage of the litigation.

In drafting Rule 54(d)(2), the Advisory Committee specifically contemplated the type of limited production requested by Plaintiff. The Notes to the 1993 Amendment to Rule 54 explained that, "in light of the circumstances of the case," courts may set a schedule for the moving party to disclose "evidentiary material bearing on the fees" including, without limitation, "any fee agreement." Fed. R. Civ. P 54 advisory committee's note (1993). *See also, e.g.*, U.S. Court of International Trade Rule 54 (fee motion must "dis-

close, if the court so orders, the terms of any agreement about fees for the services for which the claim is made"); *Henson v. Columbus Bank & Trust Co.*, 770 F.2d 1566, 1574 (11th Cir. 1985) (district court abused its discretion in failing to compel production of counsel's records when court conceded it did not have enough evidence to adequately set fee). Here, development of the facts sought by Plaintiff can help resolve the dispute concerning whether a fee award is appropriate and, if so, in what amount. Accordingly, the Court should require the requested production.

Notwithstanding Defendant's exhortations, this Court should not wait until after briefing on attorneys' fees is complete to consider this discovery. The information that Defendant chose to leave out of his fee petition is critical. It makes no sense for Plaintiff to obtain it only after it submits its Opposition. That process would cascade into endless requests for further briefing, including sur-replies and sur-sur-replies. Defendant should be required to produce this key information immediately, so that the Court can decide the fee motion with the benefit of an adequate record and an efficient briefing schedule.

3. Defendant's Request for Plaintiff's Billing Records

Defendant has demanded that Plaintiff produce its billing records as a *quid pro quo* for his production. Discovery issues are not always reciprocal, however. Much of the information demanded by Defendant is simply not relevant at this time. *Defendant moved for a fee award, not Plaintiff:* Accordingly, at issue is the propriety and reasonableness of the fees

that Defendant purports to have paid or become obligated to pay.

It is improper for Defendant to withhold its production until he receives what he wants in return. This is true with respect to discovery generally. It is especially true in this instance. Plaintiff needs the requested information for its opposition, which is currently due on September 27, 2013.

It is true that one way in which some courts have considered the reasonableness of certain fees is to look at those of the non-moving party. The former Solicitor General of the United States of America and one of the preeminent law firms in the nation handled this matter at the Supreme Court for Wiley for a total of $300,000 in fees. This amount pales in comparison to Orrick's purported fees of close to $2 million to handle the Supreme Court appeal of this same case. Plaintiff will confirm these figures in its opposition filings. Accordingly, Defendant's request for reciprocal disclosure, even if relevant, is moot.

CONCLUSION

The information reasonably requested by Plaintiff is central to consideration of Defendant's request for a $2 million award that purportedly represents the fees and costs that *he incurred*. The Court should decide such fee motion on the basis of an adequate record, not Defendant's selective recitations. Defendant should be required to produce this billing information within 7 days of the Court's order. Plaintiff's opposition to the fees motion should be due

within 14 days thereafter, with any reply from Defendant due within 14 days of Plaintiff's opposition.

Plaintiff appreciates the Court's consideration, and looks forward to discussing this matter at a conference with the Court and Defendant.

Respectfully submitted,

/s/ Matthew J. Oppenheim
Matthew J. Oppenheim

Cc: Sam P. Israel, P.C. (via ECF and email)

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JOHN WILEY &
SONS, INC.,

Plaintiff,

Case No. 1:08-cv-07834 (DCP)
[FILED 10/24/13]

v.

SUPAP KIRTSAENG,

Defendant.

DECLARATION OF KERRY M. MUSTICO IN SUPPORT OF PLAINTIFF'S OPPOSITION TO DEFFENDANT'S MOTION FOR AN AWARD OF ATTORNEYS' FEES AND REIMBURSEMENT OF LITIGATION EXPENSES

I, Kerry M. Mustico, declare as follows:

1. I am an attorney at the law firm of Oppenheim + Zebrak, LLP, counsel of record for Plaintiff John Wiley & Sons, Inc. ("Wiley") in the above-referenced case. I am a member in good standing of the Bars of New York, Massachusetts, and the District of Columbia. I submit this declaration in support of Plaintiff's Opposition to Defendant's Motion for an Award of Attorneys' Fees and Reimbursement of Litigation Expenses.

2. Attached hereto as Exhibit 1 is a true and correct copy of the Declaration of Laura Scileppi in Support of Plaintiff's Motion for a Preliminary Injunction and an Order of Attachment, which was filed in this case as Docket No. 8.

3. Attached hereto as Exhibit 2 is a true and correct copy of *Columbia Pictures Television, Inc. v. Feltner,* No. CV 91-6847 ER, slip op. at 4 (C.D. Cal. June 10, 1999).

4. Attached hereto as Exhibit 3 is a true and correct copy of *L'Anza Research Int'l v. Quality King Distribs.*, No. 98-56258, slip op. (9th Cir. June 15, 1999).

5. Attached hereto as Exhibit 4 is a true and correct copy of the Memorandum of Plaintiff in Support of Its Motion for an Order Directing Defendant to Bring His Personal Property into New York State and Appointing a Receiver to Collect It, which was filed in this case as Docket No. 79.

6. Attached hereto as Exhibit 5 is a true and correct copy of the Reply Memorandum of Plaintiff in Support of Its Motion for an Order Directing Defendant to Bring His Personal Property into New York State and Appointing a Receiver to Collect It, which was filed in this case as Docket No. 83.

7 Attached hereto as Exhibit 6 is a true and correct copy of the Orrick Retention Agreement that Defendant produced to Plaintiff on October 9, 2013.

8. Attached hereto as Exhibit 7 is a true and correct copy of Adam Liptak, *Specialists' Help Can Come With a Catch,* N.Y. Times, Oct. 9, 2010, at Al.

9. Attached hereto as Exhibit 8 is a true and correct copy of Daniel Wilson, *Pro Bono Firm of 2013: Orrick Herrington,* Law360, Sept. 16, 2013, http://www.law360.com/articles/472911/pro-bono-firm-of-2013-orrick-herrington.

10. Attached hereto as Exhibit 9 is a true and correct copy of Marcia Coyle, *Orrick's Big-League Push,* The National Law Journal, Sept. 4, 2013, *available at:* http://www.orrick.com/Events-and-Publications/Pages/Orricks-Big-League-Push.aspx.

I declare under penalty of perjury that the foregoing is true and correct.

/s/ Kerry M. Mustico
Kerry M. Mustico

Executed October 24, 2013
In Washington, DC

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JON WILEY & SONS, INC.,

Plaintiff,

-against- 08 Civ. 7834 (GEL)

SUPAP KIRTSAENG D/B/A BLUECHRISTINE99 AND JOHN DOE NOS. 1-5,

ECF Case
[FILED 10/24/13]

Defendants.

DECLARATION OF LAURA SCILEPPI IN SUPPORT OF PLAINTIFF'S MOTION FOR A PRELIMINARY INJUNCTION AND AN ORDER OF ATTACHMENT

LAURA SCILEPPI hereby declares pursuant to 28 U.S.C. § 1746 that the following is true and correct.

1. I am a member of the bar of this Court and an associate at Dunnegan LLC, attorneys for plaintiff John Wiley & Sons, Inc. ("Wiley") in this action.

2. I am making this declaration in support of Wiley's application for (a) a preliminary injunction restraining defendant Supap Kirtsaeng ("Kirtsaeng") from selling in the United States foreign editions of

Wiley's books printed outside of the United States and imported into the United States without Wiley's permission ("Foreign Editions"), and (b) attaching Kirtsaeng's funds held by PayPal, Inc. ("PayPal"), Bank of America and M&T Bank to maintain the **status quo** and to ensure that those funds may be used to satisfy any judgment that Wiley obtains in this action.

Background

3. Wiley commenced this action on September 8, 2008, alleging that Kirtsaeng had infringed certain of Wiley's copyrighted textbooks by selling Foreign Editions in the United States.

4. Kirtsaeng resides in California and is subject to the personal jurisdiction of this Court under the New York long-arm statute, CPLR § 302(a).

5. When Wiley commenced this action, we had no knowledge of the extent of Kirtsaeng's sales that infringed Wiley's copyrights.

6. Kirtsaeng answered on December 2, 2008, and did not raise the affirmative defense lack of personal jurisdiction. He did not assert any counterclaim.

7 Pursuant to a notice sent to counsel on January 5, 2009, the Court held a pretrial conference on January 21, 2009. At that conference, the Court set a discovery cutoff date of May 22, 2009.

Wiley's Efforts to Obtain Discovery

8. On January 26, 2009, Wiley served a document request calling for Kirtsaeng to produce:

> **"Document Request 2**
>
> Any and all documents that constitute, refer, or relate to the sale, distribution, or transfer of any books, including Foreign Editions."

9. On January 26, 2009, Wiley served an interrogatory on Kirtsaeng asking:

> **"Interrogatory 2**
>
> State the amount of revenue that defendant has received from the sale of Foreign Editions of the textbooks of Wiley."

10. On February 16, 2009, Kirtsaeng responded:

> "Estimated revenue from the sale of Wiley's international edition textbooks is $1,600. This consists of 8 titles, 20 books per title @ $10 per book."

I annex as Exhibit B a copy of Kirtsaeng's response.

11. On March 19, 2009, Kirtsaeng produced, in paper and compressed format, an Excel spreadsheet purporting to disclose his sales of Foreign Editions. However, because of the paper and compressed format, this document was unusable.

12. Wiley then served a subpoena on PayPal on or about March 23, 2009, requesting information concerning Kirtsaeng's sales of Foreign Editions.

13. Despite my requests to his counsel on March 19, 2009, March 26, 2009, April 8, 2009, and April 16, 2009, Kirtsaeng did not produce an electronic copy of this Excel spreadsheet until April 21, 2009. He did so about four hours after I e-mailed his counsel a draft of a joint letter addressed to the Court concerning this matter. This electronic document revealed that Kirtsaeng had sold Foreign Editions beginning in 2008.

PayPal's Disclosure Of Kirtsaeng's Sales And His Transfer Of Over $188,000 From PayPal

14. On April 22, 2009, PayPal responded to Wiley's subpoena by providing its business records on CD-Rom, which are too voluminous to print. I have provided a copy of the CD-Rom to counsel for Kirtsaeng, and will provide a copy to the Court upon request.

15. The documents that PayPal produced on April 22, 2009 demonstrate the following:

- Since March 3, 2005, Kirtsaeng has received $1,199,483.13 from sales on PayPal. A copy of the PayPal record for Kirtsaeng's account showing the "Total Amount Received" is annexed as Exhibit C.

- The vast majority of these sales appear to be Foreign Editions of textbooks of various

publishers, including Wiley. A sampling of Kirtsaeng's PayPal Transaction Log showing the date, subject line, and amount of transactions is annexed as Exhibit D.

- Kirtsaeng has continued selling Foreign Editions. His last sale occurred on April 13, 2009. A print out of the most recent activity in Kirtseang's PayPal Transaction Log is annexed as Exhibit E.

- From the January 5, 2009, when Kirtsaeng's counsel was served with notice of the pretrial conference, until April 6, 2009, Kirtsaeng has withdrawn from one of his PayPal accounts $188,100. Prior to January 5, 2009, Kirtsaeng's last withdrawal was in September of 2008. A summary of all of the withdrawals made from January 5, 2009 to April 6, 2009 is annexed as Exhibit F

- As of April 17, 2009, Kirtsaeng had $93.42 in one of his PayPal accounts. The PayPal record for this account is annexed as Exhibit C.

- Two of Kirtsaeng's PayPal accounts are linked to bank accounts. One is linked to an account at Bank of America and another is linked to an account at M&T Bank. The PayPal record for account linked to Bank of America is annexed as Exhibit C. The PayPal record for the account linked to M&T Bank is annexed as Exhibit G.

- Despite his answer to interrogatory 2 stating that he had sold about 160 of the Foreign Editions of Wiley, the PayPal records demonstrate that Kirtsaeng sold more than 500 of the 8 Foreign Editions that are the subject of the complaint.

16. After receiving these PayPal documents, I checked eBay for sales under the username Billytext. I learned that Kirtsaeng is currently offering to sell, or has recently sold, Foreign Editions of at least four Wiley works.

- Since January of 2009, Kirtsaeng has sold 21 Foreign Editions of the work entitled **Organic Chemistry**, which has received Copyright Registration number TX-2-544-723 on April 19, 1989. Print outs of Kirtsaeng's listings and sales histories are annexed as Exhibit H.

- Kirtsaeng is currently offering a Foreign Edition of the work entitled **Information Technology for Management**, which has received Copyright Registration number TX-6-013-876 on August 20, 2004. A print out of the current eBay listing is annexed as Exhibit I. Since January of 2009, Kirtsaeng sold at least 24 Foreign Editions of this work. Print outs of Kirtsaeng's listings and sales histories are annexed as Exhibit J.

- Since January of 2009, Kirtsaeng has sold at least 6 Foreign Editions of **Cell and Molec-**

ular Biology, which has received Copyright Registration number TX-4-872-740 on October 28, 1998. Print outs of Kirtsaeng's listings and sales histories for these items are annexed as Exhibit K.

- Since January of 2009, Kirtsaeng sold at least 1 Foreign Edition of **Fundamentals of Heat and Mass Transfer**, which has received Copyright Registration number TX-6-410-153 on July 28, 2006. Print outs of Kirtsaeng's listing is no longer available, but feedback showing a sale of this title and is annexed as Exhibit L.

The Present Application

17 Wiley is proceeding by order to show cause, rather than by notice of motion, because of the urgency of the relief it seeks.

18. Wiley has not made this or a similar application to this, or any other, Court.

19. I annex as Exhibit M a proposed form of preliminary injunction and order of attachment.

20. At about 9:30 a.m. this morning, I provided counsel for Kirtsaeng with an e-mail copy of the papers that we are submitting to the Court in support of the present application. I invited him to appear when we intend to present the proposed order to the Court at about _:00 p.m. today.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 27th day of April 2009.

/s/ Laura Scileppi
Laura Scileppi

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November 11, 2011

E. Joshua Rosenkranz
(212) 506-5380
jrosenkranz@orrick.com

Via E-Mail and U.S. Mail

Mr. Supap Kirtsaeng
c/o Mr. Sam P Israel, Esq.
Sam P Israel, P.C.
One Liberty Plaza, 23rd Floor
New York, New York 10006
smisrael@aol.com

Re: Representation of Supap Kirtsaeng in *John Wiley & Sons, Inc. v. Supap Kirtsaeng* (2d Cir., August 15, 2011)

Dear Mr. Kirtsaeng:

I understand from speaking with your lawyer, Sam P Israel that you are in favor of continuing your efforts to overturn the trial court's rulings in the case

brought against you by John Wiley & Sons, Inc. and that you approve of our firm working with Mr. Israel in this regard. (Specifically, we would collaborate on an effort to seek a reversal of the court's rulings through a petition for certiorari review made to the United States Supreme Court.) We understand from Mr. Israel that you are not in a position to pay for our services, yet we still need to confirm other non-monetary terms and conditions which will govern the attorney-client relationship.

The purpose of this engagement letter and the attached Standard Terms of Engagement is to confirm those terms and conditions upon which Orrick will be providing its legal services to you in the Matter. We believe that a mutual understanding of these terms and conditions at the outset is fundamental to establishing a good working relationship.

First, allow me to say that we are pleased to welcome you as a client of Orrick, Herrington & Sutcliffe LLP As we have discussed with Sam, we are dismayed by the Second Circuit's ruling in this case and are honored to have the opportunity to try to overturn it. The odds are against us, but we hope justice will prevail.

1. Legal Services

We have agreed to work on your petition for review to the United States Supreme Court and any Supreme Court proceedings that might arise from that petition. Specifically, we anticipate that this matter will involve the following: (1) drafting and fil-

ing a petition for certiorari at the United States Supreme Court; and (2) if the certiorari petition is granted, the preparation and filing of the merits brief before the Supreme Court and oral argument before the Supreme Court. The scope of our representation in this matter may evolve in accordance with our discussions with you and Mr. Israel; in the event of such changes, the terms of this letter will apply to these services, as well. Throughout, we look forward to working closely with Mr. Israel in all important submissions and decisions. As a condition of our handling the case for free, he and you both agree that if the Supreme Court does grant certiorari in this case, we will argue the case on your behalf.

This engagement would not encompass providing you with legal assistance with any matters other than the Second Circuit's denial of your appeal.

Also, we represent you, and not any other organization, relative, or entity that you may be affiliated with. Accordingly, we will be representing your interests, not the interests of any other. As indicated above, we will be co-counseling with Mr. Sam Israel.

2. Persons Responsible

Within our firm, I will be primarily responsible for this representation, with assistance from Annette L. Hurst and Alex J. Feerst. Our direct dial numbers are as follows:

E. Joshua Rosenkranz: (212) 506-5380

Annette L. Hurst: (415) 773-4585

Alex J. Feerst: (650) 614-7613

There may be occasions when your interests would best be served by involving other attorneys or paralegals within our firm, and we will advise you of such staffing assignments at the appropriate time.

Please let me know promptly if any questions arise about the services provided to you by our firm.

3. Fees and Charges

In accordance with our *pro bono* representation, we have agreed to provide our legal services to you without charge (subject to the condition noted above). We have agreed to pay all out-of-pocket expenses related to this representation.

4. Roles of Attorney and Client

Our responsibilities under this agreement are to provide legal counsel and assistance to you in accordance with this letter. As your legal counsel, all communications between us shall remain confidential unless you direct otherwise.

During the course of this engagement, we may express opinions or beliefs to you about the effectiveness of various courses of action or about the results that might be anticipated. Such statements are expressions of opinion only and should not be construed as promises or guarantees.

You have the right to terminate our representation at any time. We have the right to withdraw

from this engagement at any time with your consent, and at any time without your consent provided withdrawal can be accomplished without material adverse effect on your interests. In addition, we may withdraw without your consent if it becomes legally or ethically proper for us to do so under the applicable rules of professional responsibility.

You agree to cooperate fully with us, will promptly notify us of any changes in address, telephone number, income, or employment. You will maintain regular contact with us as is necessary for the conduct of this representation. You have been advised that you have the following rights regarding your representation by the firm: to be kept informed about important developments; to be consulted through co-counsel before any important decision is made on your behalf, and to be given enough information through co-counsel to make an informed decision; to be consulted through co-counsel and to agree to any settlement of your matter before it is settled on your behalf by any attorney at the firm; and to obtain a copy through co-counsel of the statement of client's rights and responsibilities.

When we close your file, all original documents that were furnished by you will be returned. We will maintain the file for no less than three years from the date of closing, after which it may be destroyed.

If this letter meets with your approval, and you understand its contents, please sign and return the enclosed copy. The effective date of our agreement to provide services to you is the date on which we first performed services.

We look forward to working with you.

Very truly yours,
/s/ E. Joshua Rosenkranz
E. Joshua Rosenkranz

Cc: Annette L. Hurst
Alex J. Feerst
Pro Bono Counsel
Sam P Israel

Attachment

STANDARD TERMS OF ENGAGEMENT

Except as modified in writing by the accompanying engagement letter or in another agreement signed by the Client and Orrick, the following provisions shall apply to the relationship between Orrick and the Client.

1. Client

Our engagement is only on behalf of the person(s) or entity(s) identified in the engagement letter accompanying these Standard Terms of Engagement. Our representation of the Client does not encompass any other person or entity affiliated with the Client.

2. Scope of Engagement

The scope of Orrick's representation of the Client is limited to the specific matters identified in the accompanying engagement letter, and such additional matters as the Client and Orrick may in their mutual discretion agree to from time to time. In each case, Orrick's agreement to any expansion of the scope of its representation of the Client will be subject, among other things, to such additional conflict checks, waivers, retainers, approvals and other arrangements as Orrick may in its professional judgment deem necessary or appropriate in the circumstances. Except as otherwise expressly provided in any written engagement letter (or a written amendment of a prior engagement letter) between Orrick and Client entered into in connection with such expansion of the scope of Orrick's representation, the

agreement reflected in these Standard Terms of Engagement, and in the accompanying engagement letter, applies to Orrick's current representation of the Client and to any subsequent matters that Orrick agrees to undertake on the Client's behalf.

3. **Waiver of Future Conflicts of Interest**

Our agreement to represent the Client is conditioned upon the understanding that we are free to represent any clients (including the Client's adversaries) and to take positions adverse to either the Client or an affiliate in any matters (whether involving the same substantive area(s) of law for which the Client have retained us or some other unrelated area(s), and whether involving business transactions, counseling, litigation or otherwise), which do not involve the same factual and legal issues as matters for which the Client has retained us or may hereafter retain us. In this connection, the Client should be aware that we provide services on a wide variety of legal subjects to a large number of clients both in the United States and internationally. (A summary of Orrick's current practice areas and the industries in which we represent clients can be found on Orrick's web site at www.orrick.com.) We will, of course, hold in confidence the Client's secrets and confidences. Similarly, the Client understands that while Orrick may obtain confidential information from other clients that may be of interest to the Client, Orrick cannot share such information with the Client. The Client agrees that it will not seek to disqualify Orrick from any such present or future representations, and

waives any actual or potential conflict that might arise from such current or future representations so long as those other representations do not involve the same factual and legal issues as a currently active engagement for the Client or the Orrick attorneys working on such engagements. The Client may wish to consult with other counsel about the consequences of this waiver.

4. **Internal Communications**

The occasion might arise for us, at our own expense, to consult regarding our engagement for the Client with our own counsel (e.g., our Chief Legal Officer, other firm lawyers working with our Chief Legal Officer who do not perform work for the Client on the Matter, or our own outside counsel). To the extent that we are addressing our own rights or responsibilities, a conflict of interest might be deemed to exist between Orrick and the Client as to such consultation or resulting communications, particularly if a dispute were ever to arise between Orrick and the Client regarding the Matter. A condition of this engagement is that the Client hereby consents to such consultation occurring, and waives any claim of conflict of interest based on such consultation or resulting communications that could otherwise disqualify us from continuing to represent the Client or from acting in our own behalf, even if such consultation or communications might be deemed adverse to the interests of the Client. The Client acknowledges and agrees that any such consulting and communications are protected by our own attorney-client privilege from disclosure to the Client.

5. **Responsibilities of Attorney and Client**

We will provide to the Client legal counsel and assistance in accordance with the accompanying engagement letter. The Client will not look to or rely upon Orrick for any investment, accounting, financial or other non-legal advice, including without limitation any advice regarding the character or credit of any person with whom the Client may be dealing. Although we will at times communicate with the Client by e-mail, letter, or other written form, we may provide much of our counsel and assistance in telephone conversations and meetings with the Client. If the Client ever wishes for us to confirm any oral advice in writing, please let us know.

For us to represent the Client effectively, we need the Client to provide us with complete and candid information regarding the subject matter of the matter, to keep us informed of relevant developments, to make decisions necessary for us to fulfill our responsibilities in the matter and otherwise to provide to us the Client's reasonable assistance and cooperation.

During the course of this engagement, we may express opinions or beliefs to the Client about the effectiveness of various courses of action or about the results that might be anticipated. Such statements are expressions of opinion only, and should not be construed as promises or guarantees.

We have a duty of confidentiality to the Client and each of our other clients. We take this duty very

seriously and, except to the extent permitted by the applicable rules of professional conduct, we will not disclose any confidential information of the Client to any other client or person. Similarly, we cannot disclose to the Client the confidences of any other client even when such information relates to matters that might affect the Client.

6. **Termination**

The Client may terminate this representation at any time, with or without cause, but in the case of litigation, court approval may be necessary Subject to the application of the applicable rules of professional responsibility, Orrick also reserves the right to withdraw, if among other things, the Client fails to cooperate or follow Orrick's advice on a material matter, or any fact or circumstance arises that, in Orrick's view, renders our continuing representation unlawful or unethical, or we otherwise have the right to withdraw pursuant to applicable rules of professional responsibility Any termination of our representation of the Client would be subject to such approval as may be required from any court(s) in which we are appearing on the Client's behalf.

7. **Date of Termination**

Orrick's representation of the Client will be considered terminated at the earliest of (i) the Client's termination of the representation, (ii) Orrick's withdrawal from the representation, or (iii) the substantial completion of Orrick's substantive work for the Client.

8. File Retention and Disposition

Once our engagement in this Matter ends, we will send you a written notice advising you that this engagement has concluded. You may thereafter direct us to return, retain or discard some or all of the documents pertaining to the engagement. Orrick may charge the Client for the reasonable costs of retrieval, assembly, copying, storage and transfer of all files or materials in any format. If Orrick determines it appropriate to dispose of materials relating to the Matter, Orrick will provide you written notice of that determination. If you do not respond to the notice within sixty (60) days, you agree and understand that any materials left with us after the engagement ends may be retained or destroyed at our discretion without further notice to you and in a manner which preserves the confidential and secret nature of their contents. If you have a Records Retention Policy in place with which outside counsel will need to comply, please advise us so that we may so inform our Records Department.

Notwithstanding the foregoing, and unless you instruct us otherwise, we will return and/or preserve any original documents provided to us by the Client, and any documents we know or believe you will need to retain to enforce your rights or to bring or defend claims. You should understand that "materials" include paper files as well as information in other mediums of storage including voicemail, email, printer files, copier files, facsimiles, dictation recordings, video files, and other formats. We reserve the right to make, at our expense, certain copies of all documents

generated or received by us in the course of our representation. When you request copies of documents from us, copies that we generate will be made at your expense. We will maintain the confidentiality of all documents throughout this process.

Our own files pertaining to the Matter will be retained by the firm (as opposed to being sent to you) or destroyed. These firm files include, for example, firm administrative records, time and expense reports, personnel and staffing materials, and credit and account records. For various reasons, including the minimization of unnecessary storage expenses, we reserve the right to destroy or otherwise dispose of any documents or other materials retained by us within a reasonable time after the termination of the engagement.

9. Arbitration

Although we think it is unlikely, a dispute could arise between us regarding some aspect of the engagement and Orrick's representation of the Client. Any such dispute, whether a claim by the Client against Orrick or by Orrick against the Client, including claims for unpaid fees and charges, negligence, quality of services, breach of contract or fiduciary duty. fraud or any other claims relating to any aspect of the engagement and our representation of the Client is referred to herein as a "Dispute" If we are not able to resolve a Dispute among ourselves, the Client and Orrick agree to resolve such dispute through confidential binding arbitration.

10. Binding Agreement

The engagement letter and these Standard Terms of Engagement represent the entire understanding and agreement between the Client and Orrick with respect to the subject matter referred to herein. By signing below, the Client acknowledges that the engagement letter and these Standard Terms of Engagement have been carefully reviewed and their content understood and that the Client agrees to be bound by all of the terms and conditions. Furthermore, the Client acknowledges that Orrick has made no representations or guarantees to the Client regarding the outcome of the Matter or the time necessary to complete the Matter. The provisions of this letter may only be amended in writing and signed by both parties.

11. Acceptance of Engagement Terms

By signing below, you acknowledge and represent that you have read the engagement letter and these Standard Terms of Engagement, that you understand and agree to the terms and provisions, and that you are authorized to do so on behalf of the Client.

ORRICK, HERRINGTON & SUTCLIFFE LLP

By: /s/ E. Joshua Rosenkranz
E. Joshua Rosenkranz
Partner

Dated: November 11, 2011

SUPAP KIRTSAENG

By: /s/ Supap Kirtsaeng
Supap Kirtsaeng

Dated: _____, 2011

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JOHN WILEY & SONS, INC.,

Plaintiff,

Case No. 1:08-cv-07834 (DCP) [FILED 10/24/13]

v.

SUPAP KIRTSAENG,

Defendant.

DECLARATION OF SUSAN TIEDEMANN SEUTTER IN SUPPORT OF PLAINTIFF'S OPPOSITION TO DEFENDANT'S MOTION FOR AN AWARD OF ATTORNEYS' FEES AND REIMBURSEMENT OF LITIGATION EXPENSES

I, Susan Tiedemann Seutter, declare as follows:

1. I am an attorney at the law firm of Oppenheim + Zebrak, LLP, counsel of record for Plaintiff John Wiley & Sons, Inc. ("Wiley") in the above-referenced case. I am a member in good standing of the Bars of Maryland, New Jersey, and the District of Columbia. I submit this declaration in support of Plaintiff's Opposition to Defendant's Motion for an Award of Attorneys' Fees and Reimbursement of Litigation Expenses.

2. I have reviewed the Declarations of E. Joshua Rosenkranz and Sam P Israel in support of Kirtsaeng's Motion under 17 U.S.C. § 505. I have also reviewed Exhibit J to Rosenkranz's Declaration and Exhibit 12 to Israel's Declaration, which are statements of services rendered by the law firms of Orrick, Herrington & Sutcliffe, LLP ("Orrick") and Sam P Israel, P.C. ("Israel") to Mr. Kirtsaeng in this matter (the "Fee Statements"). In addition, I have reviewed Exhibit K to Rosenkranz's Declaration which lists Orrick's disbursements ("Orrick Disbursements").

I. Orrick's Billing Rates

3. In his declaration, Rosenkranz includes Orrick's various billing rates that Kirtsaeng seeks in his motion for a fee award. Those rates range from $785 to 1020 per hour for Orrick partners and $330 to 615 per hour for Orrick associates. Kirtsaeng also seeks fees for an Orrick paralegal at $250 per hour.

4. Rosenkranz states that the billing rates for the Orrick partners who worked on Kirtsaeng's Supreme Court appeal are well within the range of reasonable partner rates for large law firms in New York City. Rosenkranz does not provide any evidence outside the *ipse dixit* of his declaration that the partner billing rates included therein are what Orrick customarily charges and is paid by Orrick's clients.

5. I reviewed the case law cited in Kirtsaeng's brief on pages 27, 28, and 30. Those cases award fees in intellectual property cases in amounts ranging from $400 to $650 per hour for law firm partners in

the Southern District of New York. *See* Br. 27-28 (citing *Entral Group v. Sun Sports Bar, Nat'l Ass'n for the Specialty Food Trade v. Construct Data Verlag, Yurman Designs v. PAJ*, and *GAKM Res. v. Jaylyn Sales).* None of the cases award fees up to $615 per hour an associate. *See* Br. 30 (citing *AMA Prop. v. Indiabulls Fin. Servs., In re Merrill Lynch & Co. Research Reports Sec. Litig.).*

6. Rosenkranz attaches the National Law Journal's 2012 Billing Survey ("Billing Survey") to support the billing rates sought in Kirtsaeng's motion. I reviewed the Billing Survey. Of the 55 firms in the Billing Survey that provided their billing rates, of which Orrick was not one, only 4 listed their highest partner rate at above $1000 per hour. Every single firm listed their median hourly partner rate below $1000, with the highest being $775 per hour. The Billing Survey also makes the point that the "uptick" in law firm rates is driven by a "car dealership sticker price' phenomenon" in which "law firms are upping their asking price to gain room to haggle."

II. Orrick and Israel's Vague Fees

7 Based on my review of the Orrick and Israel Fee Statements, I calculated the fees attributable to certain categories of work as described below

8. In the first category, "Vague Fees," I attempted to identify those fees for work billed where the vagueness of the time entries prevents Plaintiff and the Court from determining the reasonableness of the work performed or the time expended. There

are numerous "vague entries" that do not provide information which would indicate how the activity may have advanced the litigation or at least the general subject matter of the time expenditures. *(See, e.g.,* Israel Fee Statement p. 3 (1/15/09: 0.4 hours "emails, tel. conf. w/ othrer side., emails." [sic]); *id.* p. 24 (12/3/09: 4.3 hours " ... , other matters, etc."); p. 29 (2/10/10: 2.4 hours "research motion, eamils [sic]"); Orrick Fee Statement p. 7 (11/21/11: 11.0 hours "Review briefs and petitions."); p. 8 (11/28/11: 1.2 hours "Coordinate logistics and conversation re legal strategy."); *id.* p. 28 (7/9/12: 1.5 hours "Conversation with associate; telephone conference with Goodwill.")). The total amount of these entries is $153,196.50 for Orrick and $51,187.50 for Israel.[1]

9. These amounts are under-inclusive, as there are also many vague entries within the amici category, *see* infra Section III, which have not been added to the total here in order to account for each time entry only once. The majority of the vague entries also fall under the category of block billing, but in order to avoid overlap, I have not included these vague entries in the block billing totals, *see* infra paragraph 13.

10. Additionally, $6,630 of the total amount of the vague entries includes time spent on "press," which is not defined or elaborated upon. *(See* Orrick

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[1] Israel did not provide totals for his attorney's fees and disbursements, but rather left it for Plaintiff and/or the Court to tally. In addition to vague and block billing issues, the Israel Fee Statement lacks the information necessary to comprehend the confusing credits, balances, and adjustments. *(See, e.g.,* Israel Fee Statement p. 23).

Fee Statement p. 36 (10/24/12: 6.5 hours "Prepare for Oral Argument; press re case.")).

11. I conducted this review because courts may reduce or disallow fees requested where the requested fees concern billing entries that are vague and do not sufficiently demonstrate what counsel did. *Ritchie v. Gano*, 756 F. Supp. 2d 581, 583 (S.D.N.Y. 2010); *Ryan*, 882 F. Supp. 2d at 636-37; *Thai-Lao Lignite (Thail.) Co. v. Gov't of the Lao People's Democratic Republic*, No. 10 Civ. 05256 (KMW), 2012 U.S. Dist. LEXIS 164261, at *31-32 (S.D.N.Y Nov. 14, 2012).

III. Orrick and Israel Block-Billed Fees

12. There are numerous "block entries" that include two or more separate tasks and just one overall time allocation. Where this occurs, it is impossible to know how much time Israel or an Orrick attorney spent on any task. *(See, e.g.*, Israel Fee Statement p. 11 (5/6/09: 7.9 hours "many calls to supap, revise papers, drafting opp to motion include multiple docs, research, service, deliver to court., etc., filing, tel. conf. opp counsel, revising stipulation."); *id.* p. 18 (9/16/2009: 4.9 hours "emails other side, drafting memo; doing depo notice, etc."); Orrick Fee Statement p. 8 (11/29/11: 17.6 hours "Meetings with J. Rosenkranz to discuss cert petition, review draft of cert petition by A. Hurst, reformat document, research merits issues, revise cert petition, and incorporate edits re: Wiley v. Kirtsaeng."); *id.* p. 13 (4/24/12: 12.5 hours "Meeting to discuss merits brief; revise outline of merits brief; review Costco briefs")). The total amount of the block-billed entries is $565,304.50 for Orrick and $31,380.50 for Israel.

13. As noted above and below, see *supra* paragraph 9 and *infra* paragraph 20, these amounts are under-inclusive as there are time entries in the vague and amici categories that also contain block billing but which are not included here in order to avoid overlap.

14. Of further note, $8,058 of the total block-billed amounts is for an entry that includes time spent on "press calls" (at $1020 per hour). (*See* Orrick Fee Statement p. 37 (10/26/12: 7.9 hours "Prepare for and attend moot court and debrief; press calls.")).

15. I conducted this review because courts may reduce fees where counsel engage in "block billing" whereby they combine more than one task within a single entry. without breaking out the hours spent on each individual task. *Mawere v. Citco Fund Servs., (USA) Inc.*, No. 09 Civ. 1342 (BSJ), 2011 U.S. Dist. LEXIS 149111, at *29-33 (S.D.N.Y. Sept. 16, 2011); *Lao Lignite*, 2012 U.S. Dist. LEXIS 164261, at *32-35.

Section III—Orrick Fees for Amici-Related Time

16. The majority of the fees Orrick seeks involve time spent over the course of a year researching, recruiting, managing, and coordinating amici involvement. Orrick actively sought and worked with amici as early as the petition-for-certiorari stage. *(See, e.g.*, Rosenkranz Decl. ¶ 30 ("This [amicus] process was so time-consuming that it required dedicated attention separate and apart from preparing the cert petition."); *id.* at ¶ 31 (stating that "the coordination grew exponentially as the number of amici got larger and

larger" and then listing thirteen amici participants); Orrick Fee Statement p. 5 (11/10/11: 9.25 hours "Drafting, sending, and responding to emails to gather amicus support re: Wiley v. Kirtsaeng; reviewing prior emails and memos between J Rosenkranz, A. Feerst, and A. Hurst; telephone conference with J. Mitchell re: amicus brief and conducting follow-up research (reading relevant opinions and briefs) and memorializing conversation with J. Mitchell regarding same; telephone conversation with A. Feerst; reviewing USSC rules and drafting shell petition.")).

17. Orrick then "start[ed] the amicus process over again, launching a new and expanded effort, and coordinat[ed] with existing and new amici as they, too, fine-tuned their approach to the merits stage." (Rosenkranz Decl. ¶ 37 (listing 86 amici with whom Orrick coordinated); *see also* Orrick Fee Statement p. 5 (11/9/11: 4.75 hours "Research potential amici and assemble chart in regard to same; telephone conversation with A. Feerst."); *id.* p. 15 (5/4/12: 8.2 hours "Amicus outreach: provide list of amici to Intel; prepare email for J Rosenkranz to circulate; confer with J Rosenkranz re: extension; conversation with Scott Martin about extension; draft extension letter; discussions with M Gottlieb and N Lenning re: amicus outreach; revise statement of facts.")).

18. The total amount of these entries for amici-related time is $531,085.25. This total amount also includes fees that qualify for the block-billed and/or vague categories, but they were not calculated as such in order to avoid any overlap.

19. The amici category includes $11,652 in entries that contain time spent on "media strategy" and "press coverage." *(See, e.g.,* Orrick Fee Statement p. 12 (4/16/12: 1.3 hours "Conversation with J Rosenkranz re: cert grant; discussions with amici; review rules re: merits brief due date; review press coverage."); *id.* p. 18 (5/22/12: 4.3 hours "Research limitations on 106 rights and draft explanations for brief; discuss merits and amicus briefing with M. Shapiro; attend meeting with counsel for eBay concerning amicus briefing and media strategy."); (5/22/12: 9.60 hours "Conversation with Mark Wilson re: patent brief; call with eBay re: brief strategy, media approach, and amici ..."); *id.* p. 19 (5/29/12: 1.7 hours "Revise merits brief; discuss amicus and media strategy with counsel for eBay.")).

20. Israel also bills for time related to amici involvement. However, there are very few such entries, and those entries already fall within the vague and/or block-billed categories. Accordingly, we do not include them in the amici category. *(See, e.g.,* Israel Fee Statement p. 31 (3/8/10: 1.7 hours "review amiscus [sic] motion tel conf. w/ amicus- john, cont. prep reply brief and review new amicus.")).

IV Section IV—Totals from Sections I, II, and III

21. If the above categories of fees set forth in Sections I through III are excluded from Kirtsaeng's fee petition, only $634,670.75 of Orrick's fees, and $22,886.50 of Israel's fees, remain to be reviewed for reasonableness.

22. Even then, a review remains difficult because other issues still plague the fee entries, as shown by the following examples which are not exhaustive:

i. There are entries with potentially excessive hours requiring further scrutiny (*See, e.g.*, Orrick Fee Statement p. 19 (5/26/12: 15.3 hours "Edit brief."); *id.* p. 21 (6/2/12: 15.0 hours "Edit Supreme Court brief.")). These two examples cited were from Rosenkranz's time entries, which are at the highest billing rate of Orrick's fee earners.

ii. There are entries where attorneys bill their full rates for clerical tasks. (See, e.g., Orrick Fee Statement p. 12 (3/21/12: 1.7 hours "Coordination with printers to ensure delivery of briefs to Supreme Court."); *id.* p. 29 (7/26/12: 4.1 hours "Organize files for B Ginsberg; oral argument preparation.")).

iii. There are entries with potentially duplicative or otherwise unnecessary work. For instance, Orrick bills the time for five Orrick attorneys and one Orrick paralegal to attend moot courts and the oral argument with Rosenkranz for a total of $72,894.50.[2] (Orrick Fee Statement pp. 36-37).

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[2] Due to the block billing nature of some of the time entries used to arrive at this amount, this number encompasses other tasks

iv. Five Orrick attorneys had fee entries, totaling $137,226, which included time for researching and/or reviewing the legislative history of the Copyright Act. Associate Feerst billed the bulk of this amount, 211 hours at a total of $88,686. Thus, his entries for such research were potentially excessive and/or duplicative. *(See, e.g.*, Orrick Fee Statement p. 15 (5/3/12: 2.4 hours "Research legislative history of the Copyright Act."); *id.* p. 34 (10/5/12: 2.7 hours "Research legislative history and patent exhaustion."); *id.* p. 37 (10/27/12: 5.4 hours "Research legislative history and case law concerning first sale doctrine in preparation for oral argument.")).

V. Section V—Costs

23. In Exhibit K to the Rosenkranz Declaration, hereinafter "Orrick Disbursements," Orrick seeks $40,412.54 in costs. Orrick Disbursements p. 2. However, like the Fee Statements, the Disbursements are fraught with issues. I identified the following examples of disbursements, which are indicative, but not exhaustive, of the problems with the costs Defendant seeks:

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as well, such as preparing for these events. Without more information, we are unable to parse out the exact amount billed for time spent solely in attending the moot courts and oral argument.

i. Disbursements for the firm's non-recoverable, routine office overhead. *(See, e.g.,* Orrick Disbursements pp. 2, 12-15 (totaling $7,377.09 for word processing)).

ii. Disbursements for five Orrick attorneys, one Orrick paralegal, Israel, and someone named "El" who accompanied Israel to attend the oral argument with Rosenkranz. (Orrick Fee Statement p. 37; Israel Fee Statement p. 42). Orrick seeks travel expenses for attorneys, other than Rosenkranz, who attended moot courts and the Supreme Court oral argument. (*See* Rosenkranz Decl. ¶ 43; Orrick Disbursements p. 8 (showing $392.78 in taxi expenses for Simpson and Feerst; *id.* pp. 11-12 (showing $4,429.60 in airfare and travel expenses for Hurst, Feerst, and Simpson); Israel Fee Statement p. 42 (showing $2,500 in hotel and travel expenses for "Sam & El")). Presumably, "El" refers to Israel associate Eleonora Zlotnikova.

iii. Disbursements for $12,882.59 in Lexis and Westlaw disbursements. (Orrick Disbursements p. 2). However, many of these legal research entries fail to correspond to Orrick's Fee Statement in a number of ways:

(1) Orrick did not submit any time entries for Chris Carpenter, Gabriel Ramsey, Heather Horter,

and Michael Steven Timpani. (Orrick Fee Statement p. 2). However, $574 in Lexis disbursements, and $1,174.80 in Westlaw disbursements, appear in their names. (Orrick Disbursements pp. 5, 12).

(2) The second largest Lexis disbursement is for research Nicholas F. Lenning purportedly conducted on September 18, 2012. (Orrick Disbursements p. 5 ($2,162)). However, Orrick did not submit any time entries for Mr. Lenning on or around that date. (Orrick Fee Statement p. 33).

(3) The largest Lexis disbursement is for research Brian D. Ginsberg purportedly conducted on October 21, 2012. (Orrick Disbursements p. 5 ($2,356)). However, the only time entry Orrick submitted for Mr. Ginsberg on that date covers only four hours of work, none of which he details as research. (Orrick Fee Statement p. 36 (10/21/12: 4.0 hours "Oral argument preparation; correspondence concerning the same.")). There is only one other time entry by any attorney on that date, also not for research. (Orrick Fee

Statement p. 36 (10/21/12): 8.2 hours "Address issues related to oral argument; read all amicus briefs to prepare for internal moot court")).

iv. Disbursements for $200 for a bar admission to the U.S. Supreme Court. The disbursement entry lists Orrick attorney Tamara W Grosko, who is not a Fee Statement timekeeper, and it is unclear for whom she was obtaining admission. (Orrick Disbursement p. 7).

v. Disbursements for telephone charges that merely list "FIRM" in the timekeeper name column (Orrick Disbursements pp. 8-11). Except for the few entries that list familiar, Fee Statement timekeepers Joshua Rosenkranz, Nicholas F. Lenning, and Lisa T. Simpson, there is no way to determine whether or how these entries relate to work performed on this case.

vi. Disbursements for $1,707.80 for out-of-town meals[3] and $19.88 for overtime

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[3] These meals are listed in relation to the trip several Orrick attorneys took to Washington, DC to attend a moot court at Georgetown and the oral argument at the Supreme Court. *See* paragraph 16. ii. supra, regarding the fact that the only appropriate disbursements to consider are those pertaining solely to Rosenkranz, and not to the other attorneys who merely audited.

meals. (Orrick Disbursements pp. 2, 6-7).

vii. Disbursements for $1,460.86 in taxi charges. (Orrick Disbursements pp. 2, 7-8). Outside of taxis for the multiple Orrick attorneys who traveled to Washington, D.C. for the moot courts and Supreme Court oral argument, the majority of the remaining entries appear to represent Marc Shapiro's use of taxis. (*Id.* pp. 7-8 (eleven entries for $90.96 each, double entries on the same date appear to indicate either improper duplicative billing and/or charges for taxis *to and from* work)).

viii. Disbursements for document reproduction that lack information as to what was copied. (Orrick Disbursements pp. 3-4 (totaling $1,005.40)).

ix. Disbursements for express delivery that lack information as to what was delivered or why express delivery was necessary. (Orrick Disbursements pp. 2, 4).

x. Disbursement for costs that lack the information necessary to determine whether and how the expenditure relates to the case. (See, e.g., Orrick Disbursements p. 6 (5/7/12: $177.19 for the New York City Bar Association)).

xi. Disbursements for deliveries by hand that lack information as to what was delivered or why hand delivery was necessary. (Orrick Disbursements pp. 2, 5).

24. If helpful to the Court, Plaintiff will submit an annotated copy of the Orrick and Israel Fee Statements highlighting the billing entries attributable to each of these categories.

25. Finally, I want to clarify that the process I applied in my review of the fee statements is not an exact science. Data analysis, of course, is only as accurate as the data itself. As I reviewed the entries and separated them into these various categories, I needed to work with entries that in many instances are not clear. There can also be overlap of what issues there are with particular entries. In making these calculations, however, no fee entry was allocated to more than one category.

I declare under penalty of perjury that the foregoing is true and correct.

/s/ Susan Tiedemann Seutter
Susan Tiedemann Seutter

Executed October 24, 2013
in Washington, DC

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

John Wiley & Sons, Inc.

Plaintiff,

v.

Supap Kirtsaeng

Defendant.

Civil Action No. 08-cv-7834-DCP

[FILED 11/20/13]

REPLY DECLARATION OF E. JOSHUA ROSENKRANZ IN SUPPORT OF DEFENDANT SUPAP KIRTSAENG'S MOTION FOR AN AWARD OF ATTORNEYS' FEES AND REIMBURSEMENT OF LITIGATION EXPENSES

DECLARATION OF E. JOSHUA ROSENKRANZ

I, E. Joshua Rosenkranz, declare as follows:

1. I am a member of the bar of the State of New York and the firm Orrick, Herrington & Sutcliffe, LLP ("Orrick"), counsel to defendant Supap Kirtsaeng ("Mr. Kirtsaeng") in this action. I submit this declaration in further support of Mr. Kirtsaeng's Motion For Award of Attorneys' Fees and "Full Costs" Under § 505 of the Copyright Act.

STATEMENT

2. Orrick was retained to represent Mr. Kirtsaeng at the Supreme Court level after the Second Circuit denied Mr. Kirtsaeng's appeal, and denied his request for hearing en banc. Orrick agreed to represent Mr. Kirtsaeng pro bono as we understood that Mr. Kirtsaeng was unable to make any further payments for his legal representation. At the time Orrick was retained, we fully intended to seek legal fees pursuant to the Copyright Act if we were to prevail at the Supreme Court level. Attached as Exhibit A is a true and correct copy of the October 8, 2013 letter from E. Joshua Rosenkranz to Sam P Israel, which I understand was requested by counsel for Wiley and provided to them on October 10, 2013.

3. I have been an appellate litigator for over twenty years and regularly handle matters in the Supreme Court of the United States. I have filed briefs in more than 60 Supreme Court cases and have presented oral argument in the Court eight times in the past eight years. I have personally argued more than

170 appeals in state and federal appellate courts across the nation and have served as attorney of record in some 1,500 other appeals.

4. I have led several appeals this year alone where the fees exceed $2 million. In my experience, fees in large complex cases typically exceed $1 million.

5. The billing records submitted by Orrick are sufficiently detailed to allow the Court to determine the nature of the work performed. Each entry contains all required information: the name of the attorney along with the date, time, and nature of the work performed. While it is unclear which specific entries Wiley complains of, the following examples clearly show that there is sufficient information in Orrick's time entries to determine the nature of the work performed (these entries are included in Exhibit J to the July 31, 2013 Declaration of E. Joshua Rosenkranz). Each describes in detail the tasks performed:

- ID No. 18281045: November 14, 2011, Feerst, Alex Jonathan, 8.5 hours billed, description "Draft argument section of cert petition; review Costco cert petition and amicus briefs; review legislative history of Copyright Act manufacturing clause; discuss possible amicus brief with Ms. McSherry of EFF."

- ID No. 18349127: November 30, 2011, Feerst, Alex Jonathan,- 8.80 hours billed, description "Revise cert petition;

research legislative history; check petitioner's appendix and case citations; attend meeting to discuss merits arguments with J. Rosenkranz, A. Hurst, L. Simpson, G. Ramsey, and M. Shapiro."

- ID No. 19228769: June 19, 2012, Shapiro, Marc. R., 10,10 hours billed, description "Calls with eBay, Marvin Ammori, Krista Cox re: amicus brief and strategies; calls with N. Lenning re: same; conversation with J. Rosenkranz re: amicus briefs; coordination with J. Greenfield re: appendix; discussion with A. Feerst re: manufacturing clause and DMCA take down notices; research on DMCA take down notices; revise brief to incorporate DMCA point."

- ID No. 19526864: August 27, 2012, Lenning, Nicholas F., 9.00 hours billed, description "Draft and edit reply brief; review merits and amicus brief from *Costco v. Omega*; review legislative history of § 602(a) for use in argument re purpose of 602(a)."

- ID No. 19646528: September 6, 2012, Feerst, Alex Jonathan, 4.40 hours billed, description "Conduct legal research on international intellectual property exhaustion policy; draft discussion of international exhaustion policy norms; discuss retroactive application of Copyright Act with B. Ginsberg."

- ID No. 19581068: September 9, 2012, Lenning Nicholas F., 8.90 hours billed, description "Review amicus briefs filed in support of Respondent; draft a comprehensive digest of amici arguments and noteworthy passages; review and edit the draft of Section Four of the reply brief."

- ID No 19795796: October 25, 2012, Hurst, Annette, 8.80 hours billed, description "Discussions regarding statutory interpretation issues and research regarding AHRA issue; review emails from amici counsel regarding various issues and responses; attend Georgetown moot court; de-brief re moot court; continuing assistance re argument preparation."

6. Attached hereto as Exhibit B is a true and correct copy of the October 1, 2013 agreement between Orrick, Sam P Israel, and Mr. Kirtsaeng.

7 Attached hereto as Exhibit C is a true and correct copy of the official transcript of the October 29, 2013 oral argument before the United States Supreme Court in *Kirtsaeng v. John Wiley & Sons, Inc.*, No. 11-697

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 20th day of November, 2013, at New York, New York.

/s/ E. Joshua Rosenkranz
E. Joshua Rosenkranz

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October 8, 2013

E. Joshua Rosenkranz
(212) 506-5380
jrosenkranz@orrick.com

VIA E-MAIL

Samuel P Israel
Samuel P Israel, P.C.
1 Liberty Plaza
Twenty Third Floor
New York, New York 10006

Re: John Wiley & Sons, Inc. v. Supap Kirtsaeng, No. 08-cv-7834

Dear Mr. Israel:

In response to the Court's request, made at the hearing held September 26, 2013, please receive this letter as confirmation that Orrick, Herrington & Sutcliffe LLP ("Orrick"), Supreme Court counsel for Supap Kirtsaeng, was retained to represent Mr. Kirtsaeng pro bono at the Supreme Court level, as set forth in our retainer agreement (which we understand is being produced).

As we understood that Mr. Kirtsaeng was unable to make any further payments for his legal representation, we did not provide him with any invoices. We did, however, keep detailed records of our work and time, as we fully intended to seek legal fees pursuant to the Copyright Act if we were to prevail at the Supreme Court level. We submitted full and complete time records of our work on this matter, detailing all hours spent by attorneys and paralegals and all disbursements, in connection with the July 31, 2013 Motion for Attorneys' Fees at Exhibits J and K to the Rosenkranz Declaration.

Orrick received no payments from Mr. Kirtsaeng or any other person or entity for its work on this matter.

Very truly yours,

/s/ E. Joshua Rosenkranz
E. Joshua Rosenkranz

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[FILED 11/20/13]

October 1, 2013

E. Joshua Rosenkranz
(212) 506-5380
jrosenkranz@orrick.com

VIA E-MAIL

Mr. Supap Kirtsaeng
c/o Mr. Sam P Israel, Esq.
Sam P Israel, P.C.
One Liberty Plaza, 23rd Floor
New York, New York 10006
smisrael@aol.com

Re: Representation of Supap Kirtsaeng in *John Wiley & Sons, Inc. v. Supap Kirtsaeng*

Dear Mr. Kirtsaeng:

I write on behalf of Orrick, Herrington & Sutcliffe LLP ("Orrick") and Sam P Israel, P.C. As you aware, following your success at the U.S. Supreme

Court, the Copyright Act permits you, as the prevailing party, to seek the recovery of attorneys' fees for this matter. Please allow this letter to amend our engagement letter of November 11, 2011 and confirm our understanding as to the distribution of those fees, should our motion for attorneys' fees be granted.

1. Both Orrick and Sam P Israel, P.C. have a lien in the proceeds of any judgment or settlement on the fee claim;

2. All sums paid by you to Sam P Israel, P.C., will be reimbursed to you first off the top of any fee recovery;

3. The next $200,000 of any fee recovery will be paid to Sam Israel P.C. to reimburse its attorneys' fees in this matter;

4. If there are sums remaining following the payments outlined above, the remainder is to be split between Sam P Israel P.C. and Orrick based on a ratio for the total sum to be remitted to each firm to be calculated as follows: numerator is total amount incurred by each firm and denominator is sum of the total amount incurred by both firms (as documented in the motion). Sam P Israel, P.C. will recover an amount pursuant to this formula up to and including the total amount of fees claimed by Sam P Israel, P.C. If there are fees remaining following that reimbursement, Orrick will receive 100% of the remainder to compensate it for its attorneys' fees in this matter.

5. This formula is conditioned upon you and both firms having the right to consent to and/or veto

to any proposed settlement. If there is a settlement over either firm's objection, then the formula does not apply.

6. In the event a dispute arises as to allocation of a fee recovery, no sums will be remitted to anyone other than you without consent of both firms or a court order dividing the proceeds.

As the likelihood of recovery of fees at the district court level is less than certain and because pursuing this matter to the appellate courts will result in additional expense and attorneys' fees, we retain the right to withdraw from this representation or decide not to take an appeal in this matter should the district court deny our motion. If we decline to appeal an adverse ruling on this motion and you wish other counsel to pursue an appeal of the fee motion, we will be happy to cooperate with that new counsel in providing necessary information, but it is agreed that the distribution of any fee recovery will follow the terms outlined above regardless of who takes the appeal of this matter.

All the terms of Orrick's original engagement letter, dated November 11, 2011 remain in full force and effect.

You may wish to consult with other counsel regarding the terms set forth in this letter. If this letter meets with your approval, and you understand its contents, please sign and return by email to me or Sam Israel.

ORRICK, HERRINGTON & SUTCLIFFE LLP

By: /s/E. Joshua Rosenkranz
E. Joshua Rosenkranz
Partner

Dated: October 1, 2013

By:/s/Sam P. Israel
Sam P Israel

Dated: October 4, 2013

SUPAP KIRTSAENG

By: /s/Supap Kirtsaeng
Supap Kirtsaeng

Dated: October 4, 2013

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JOHN WILEY & SONS, INC.,

Plaintiff, **Case No. 1:08-cv-07834 (DCP)**

v. [FILED 12/11/13]

SUPAP KIRTSAENG,

Defendant.

DECLARATION OF KERRY M. MUSTICO IN SUPPORT OF PLAINTIFF'S SUR-REPLY IN OPPOSITION TO DEFENDANT'S MOTION FOR AN AWARD OF ATTORNEYS' FEES AND REIMBURSEMENT OF LITIGATION EXPENSES

I, Kerry M. Mustico, declare as follows:

1. I am an attorney at the law firm of Oppenheim + Zebrak, LLP, counsel of record for Plaintiff John Wiley & Sons, Inc. in the above-referenced case. I am a member in good standing of the bars of New York, Massachusetts, and the District of Columbia. I submit this declaration in support of Plaintiff's Sur-Reply in Opposition to Defendant's Motion for an Award of Attorneys' Fees and Reimbursement of Litigation Expenses.

2. Attached hereto as Exhibit 1 is a true and correct copy of the October 1, 2013 Amendment to Defendant Kirtsaeng's billing arrangement with his counsel, Sam P Israel, P.C. and Orrick, Herrington & Sutcliffe LLP, originally submitted to the Court as Exhibit B to the Reply Declaration of E. Joshua Rosenkranz in Support of Defendant Supap Kirtsaeng's Motion for an Award of Attorneys' Fees and Reimbursement of Litigation Expenses.

3. Attached hereto as Exhibit 2 is a true and correct copy of the Email from Sam Israel to Matthew Oppenheim dated Oct. 9, 2012, with all attachments.

4. Attached hereto as Exhibit 3 is a true and correct copy of the court's opinion in *American Institute of Physics, et al. v. Schwegman Lundberg & Woessner, P.A.*, Case No. 12-cv-528-RHK-JJK (D. Minn.) issued on Dec. 3, 2013.

I declare under penalty of perjury that the foregoing is true and correct.

/s/ Kerry M. Mustico
Kerry M. Mustico

Executed December 11, 2013
in Washington, D.C.

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[FILED 12/11/13]

October 1, 2013

E. Joshua Rosenkranz
(212) 506-5380
jrosenkranz@orrick.com

Via E-Mail

Mr. Supap Kirtsaeng
c/o Mr. Sam P Israel, Esq.
Sam P Israel, P.C.
One Liberty Plaza, 23rd Floor
New York, NY 10006
smisrael@aol.com

Re: Representation of Supap Kirtsaeng in *John Wiley & Sons, Inc. v. Supap Kirtsaeng*

Dear Mr. Kirtsaeng:

I write on behalf of Orrick, Herrington & Sutcliffe LLP ("Orrick") and Sam P Israel, P.C. As you aware, following your success at the U.S. Supreme

Court, the Copyright Act permits you, as the prevailing party, to seek the recovery of attorneys' fees for this matter. Please allow this letter to amend our engagement letter of November 11, 2011 and confirm our understanding as to the distribution of those fees, should our motion for attorneys' fees be granted.

1. Both Orrick and Sam P Israel, P.C. have a lien in the proceeds of any judgment or settlement on the fee claim;

2. All sums paid by you to Sam P Israel, P.C., will be reimbursed to you first off the top of any fee recovery:

3. The next $200,000 of any fee recovery will be paid to Sam Israel P.C. to reimburse its attorneys' fees in this matter;

4. If there are sums remaining following the payments outlined above, the remainder is to be split between Sam P Israel P.C. and Orrick based on a ratio for the total sum to be remitted to each firm to be calculated as follows: numerator is total amount incurred by each firm and denominator is sum of the total amount incurred by both firms (as documented in the motion). Sam P Israel, P.C. will recover an amount pursuant to this formula up to and including the total amount of fees claimed by Sam P Israel, P.C. If there are fees remaining following that reimbursement, Orrick will receive 100% of the remainder to compensate it for its attorneys' fees in this matter.

5. This formula is conditioned upon you and both firms having the right to consent to and/or veto

to any proposed settlement. If there is a settlement over either firm's objection, then the formula does not apply.

6. In the event a dispute arises as to allocation of a fee recovery, no sums will be remitted to anyone other than you without consent of both firms or a court order dividing the proceeds.

As the likelihood of recovery of fees at the district court level is less than certain and because pursuing this matter to the appellate courts will result in additional expense and attorneys' fees, we retain the right to withdraw from this representation or decide not to take an appeal in this matter should the district court deny our motion. If we decline to appeal an adverse ruling on this motion and you wish other counsel to pursue an appeal of the fee motion, we will be happy to cooperate with that new counsel in providing necessary information, but it is agreed that the distribution of any fee recovery will follow the terms outlined above regardless of who takes the appeal of this matter.

All the terms of Orrick's original engagement letter, dated November 11, 2011 remain in full force and effect.

You may wish to consult with other counsel regarding the terms set forth in this letter. If this letter meets with your approval, and you understand its contents, please sign and return by e-mail to me or Sam Israel.

ORRICK, HERRINGTON & SUTCLIFFE LLP

By: /s/Joshua Rosenkranz
E. Joshua Rosenkranz
Partner

Dated: October 1, 2013

SUPAP KIRTSAENG

By: /s/Supap Kirtsaeng
Supap Kirtsaeng

Dated: October 4, 2013

By: /s/Sam P. Israel
Sam P Israel

Dated: October 4, 2013

Wednesday, December 11, 2013
2:24:01 PM Eastern Standard Time

Subject: RE: *Wiley v Kirtsaeng* 08-7834

Date: Wednesday, October 9, 2013
4:41:54 PM Eastern Daylight Time

From: Sam Israel

To: Matt Oppenheim

Attached please find the defendant's production in accordance with the court's order re: fee motion discovery.

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-----Original Message-----

From: Matt Oppenheim
[mailto: Matt@oandzlaw.com]
Sent: Friday, September 27, 2013 12:58 PM
To: Rebecca_Demb@cit.uscourts.gov;
smisrael@aol.com
Subject: Re: *Wiley v Kirtsaeng* 08-7834

Thank you.

On 9/27/13 12:53 PM,
"Rebecca_Demb@cit.uscourts.gov"
<Rebecca_Demb@cit.uscourts.gov> wrote:

> It was brought to my attention that an error was made in the most recent docket entry regarding the last two dates in the scheduling order. In fact the last two dates should read 10/24 and 11/7. I am attempting to have the docket entry fixed. Sorry for any confusion.

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SAM P. ISRAEL, ESQ.

October 2, 2008

By Email: kirtsaen@usc.edu
Supap Kirtsaeng
3637 Mentone Avenue,
Apt. 3
Los Angeles, Ca. 90034
(Tel: 310-558-9003)

Re: Retention in Connection with *Wiley v. Kirtsaeng*; SDNY 08-CV-7834

Dear Supap:

It was a pleasure talking with you earlier today to discuss the prospects of my firm acting as your counsel in the above-referenced matter. The following are my standard retention terms and that to which you will be agreeing in the event you decide to proceed with me as your counsel.

I record time in tenths of an hour and my hourly rate is $325. In connection with this engagement, I require an initial six thousand ($6,000) dollar retainer, as an advance on legal fees and expenses undertaken on behalf of you and the two entities mentioned above. The fund would be deposited in an attorney escrow account and at the conclusion of each month, amounts would be drawn to pay for my legal services and expenses, with a statement of the services rendered, the time expended and the balance remaining on deposit with my firm being provided to you at such time. (Other expenses include such items as long-distance telephone calls, filing agents, local counsel, photocopying, computerized legal research services, messengers and courier services, amounts paid to third party vendors, travel, and other charges.)

In the event that my services exceed this initial deposit you would continue to pay my ongoing fees and expenses until the completion of this matter or your decision to no longer retain my services. I will continue to bill you on a monthly basis. Payment of my monthly invoices is due upon receipt.

As my client, you would retain the right to replace me at any time. I also reserve the right to cease to represent you if I have serious differences with you regarding basic matters, or if an actual or potential conflict emerges which would prevent me from effectively or professionally advising you. Termination of my services would neither affect your obligation to pay the fees and costs incurred to the point of termination, nor your right to the return of any unused

amount on deposit with this firm. In executing this agreement, you agree to submit to the jurisdiction of the courts of New York State for the purposes of any dispute arising from unpaid fees.

You have my assurance that I will comply with the legal and ethical obligations imposed upon attorneys, including those that might arise in connection with the termination of services to a client.

If you wish to proceed with the engagement, please confirm your agreement with the terms of this letter by countersigning below and returning the fully executed original to my office by FedEx or other overnight courier, together with the retainer check. I appreciate your confidence in my abilities and look forward to the opportunity of serving you.

Sincerely.

Sam P Israel, P.C.

By:X: /s/Sam P. Israel
Sam P Israel

Accepted and Agreed:

By /s/ Supap Kirtsaeng
Supap Kirtsaeng

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November 11, 2011

E. Joshua Rosenkranz
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Via E-Mail and U.S. Mail

Mr. Supap Kirtsaeng
c/o Mr. Sam P Israel, Esq.
Sam P Israel, P.C.
One Liberty Plaza, 23rd Floor
New York, New York 10006
smisrael@aol.com

Re: Representation of Supap Kirtsaeng in *John Wiley & Sons, Inc. v. Supap Kirtsaeng* (2d Cir., August 15, 2011)

Dear Mr. Kirtsaeng:

I understand from speaking with your lawyer, Sam P Israel that you are in favor of continuing your efforts to overturn the trial court's rulings in the case

brought against you by John Wiley & Sons, Inc. and that you approve of our firm working with Mr. Israel in this regard. (Specifically, we would collaborate on an effort to seek a reversal of the court's rulings through a petition for certiorari review made to the United States Supreme Court.) We understand from Mr. Israel that you are not in a position to pay for our services, yet we still need to confirm other non-monetary terms and conditions which will govern the attorney-client relationship.

The purpose of this engagement letter and the attached Standard Terms of Engagement is to confirm those terms and conditions upon which Orrick will be providing its legal services to you in the Matter. We believe that a mutual understanding of these terms and conditions at the outset is fundamental to establishing a good working relationship.

First, allow me to say that we are pleased to welcome you as a client of Orrick, Herrington & Sutcliffe LLP As we have discussed with Sam, we are dismayed by the Second Circuit's ruling in this case and are honored to have the opportunity to try to overturn it. The odds are against us, but we hope justice will prevail.

1. Legal Services

We have agreed to work on your petition for review to the United States Supreme Court and any Supreme Court proceedings that might arise from that petition. Specifically, we anticipate that this matter will involve the following: (1) drafting and fil-

ing a petition for certiorari at the United States Supreme Court; and (2) if the certiorari petition is granted, the preparation and filing of the merits brief before the Supreme Court and oral argument before the Supreme Court. The scope of our representation in this matter may evolve in accordance with our discussions with you and Mr. Israel; in the event of such changes, the terms of this letter will apply to these services, as well. Throughout, we look forward to working closely with Mr. Israel in all important submissions and decisions. As a condition of our handling the case for free, he and you both agree that if the Supreme Court does grant certiorari in this case, we will argue the case on your behalf.

This engagement would not encompass providing you with legal assistance with any matters other than the Second Circuit's denial of your appeal.

Also, we represent you, and not any other organization, relative, or entity that you may be affiliated with. Accordingly, we will be representing your interests, not the interests of any other. As indicated above, we will be co-counseling with Mr. Sam Israel.

2. Persons Responsible

Within our firm, I will be primarily responsible for this representation, with assistance from Annette L. Hurst and Alex J. Feerst. Our direct dial numbers are as follows:

E. Joshua Rosenkranz: (212) 506-5380

Annette L. Hurst: (415) 773-4585

Alex J. Feerst: (650) 614-7613

There may be occasions when your interests would best be served by involving other attorneys or paralegals within our firm, and we will advise you of such staffing assignments at the appropriate time.

Please let me know promptly if any questions arise about the services provided to you by our firm.

3. Fees and Charges

In accordance with our *pro bono* representation, we have agreed to provide our legal services to you without charge (subject to the condition noted above). We have agreed to pay all out-of-pocket expenses related to this representation.

4. Roles of Attorney and Client

Our responsibilities under this agreement are to provide legal counsel and assistance to you in accordance with this letter. As your legal counsel, all communications between us shall remain confidential unless you direct otherwise.

During the course of this engagement, we may express opinions or beliefs to you about the effectiveness of various courses of action or about the results that might be anticipated. Such statements are expressions of opinion only and should not be construed as promises or guarantees.

You have the right to terminate our representation at any time. We have the right to withdraw

from this engagement at any time with your consent, and at any time without your consent provided withdrawal can be accomplished without material adverse effect on your interests. In addition, we may withdraw without your consent if it becomes legally or ethically proper for us to do so under the applicable rules of professional responsibility.

You agree to cooperate fully with us, will promptly notify us of any changes in address, telephone number, income, or employment. You will maintain regular contact with us as is necessary for the conduct of this representation. You have been advised that you have the following rights regarding your representation by the firm: to be kept informed about important developments; to be consulted through co-counsel before any important decision is made on your behalf, and to be given enough information through co-counsel to make an informed decision; to be consulted through co-counsel and to agree to any settlement of your matter before it is settled on your behalf by any attorney at the firm; and to obtain a copy through co-counsel of the statement of client's rights and responsibilities.

When we close your file, all original documents that were furnished by you will be returned. We will maintain the file for no less than three years from the date of closing, after which it may be destroyed.

If this letter meets with your approval, and you understand its contents, please sign and return the enclosed copy. The effective date of our agreement to provide services to you is the date on which we first performed services.

We look forward to working with you.

Very truly yours,
/s/ E. Joshua Rosenkranz
E. Joshua Rosenkranz

Cc: Annette L. Hurst
Alex J. Feerst
Pro Bono Counsel
Sam P Israel

Attachment

STANDARD TERMS OF ENGAGEMENT

Except as modified in writing by the accompanying engagement letter or in another agreement signed by the Client and Orrick, the following provisions shall apply to the relationship between Orrick and the Client.

1. Client

Our engagement is only on behalf of the person(s) or entity(s) identified in the engagement letter accompanying these Standard Terms of Engagement. Our representation of the Client does not encompass any other person or entity affiliated with the Client.

2. Scope of Engagement

The scope of Orrick's representation of the Client is limited to the specific matters identified in the accompanying engagement letter, and such additional matters as the Client and Orrick may in their mutual discretion agree to from time to time. In each case, Orrick's agreement to any expansion of the scope of its representation of the Client will be subject, among other things, to such additional conflict checks, waivers, retainers, approvals and other arrangements as Orrick may in its professional judgment deem necessary or appropriate in the circumstances. Except as otherwise expressly provided in any written engagement letter (or a written amendment of a prior engagement letter) between Orrick and Client entered into in connection with such expansion of the scope of Orrick's representation, the

agreement reflected in these Standard Terms of Engagement, and in the accompanying engagement letter, applies to Orrick's current representation of the Client and to any subsequent matters that Orrick agrees to undertake on the Client's behalf.

3. Waiver of Future Conflicts of Interest

Our agreement to represent the Client is conditioned upon the understanding that we are free to represent any clients (including the Client's adversaries) and to take positions adverse to either the Client or an affiliate in any matters (whether involving the same substantive area(s) of law for which the Client have retained us or some other unrelated area(s), and whether involving business transactions, counseling, litigation or otherwise), which do not involve the same factual and legal issues as matters for which the Client has retained us or may hereafter retain us. In this connection, the Client should be aware that we provide services on a wide variety of legal subjects to a large number of clients both in the United States and internationally. (A summary of Orrick's current practice areas and the industries in which we represent clients can be found on Orrick's web site at www.orrick.com.) We will, of course, hold in confidence the Client's secrets and confidences. Similarly, the Client understands that while Orrick may obtain confidential information from other clients that may be of interest to the Client, Orrick cannot share such information with the Client. The Client agrees that it will not seek to disqualify Orrick from any such present or future representations, and

waives any actual or potential conflict that might arise from such current or future representations so long as those other representations do not involve the same factual and legal issues as a currently active engagement for the Client or the Orrick attorneys working on such engagements. The Client may wish to consult with other counsel about the consequences of this waiver.

4. Internal Communications

The occasion might arise for us, at our own expense, to consult regarding our engagement for the Client with our own counsel (e.g., our Chief Legal Officer, other firm lawyers working with our Chief Legal Officer who do not perform work for the Client on the Matter, or our own outside counsel). To the extent that we are addressing our own rights or responsibilities, a conflict of interest might be deemed to exist between Orrick and the Client as to such consultation or resulting communications, particularly if a dispute were ever to arise between Orrick and the Client regarding the Matter. A condition of this engagement is that the Client hereby consents to such consultation occurring, and waives any claim of conflict of interest based on such consultation or resulting communications that could otherwise disqualify us from continuing to represent the Client or from acting in our own behalf, even if such consultation or communications might be deemed adverse to the interests of the Client. The Client acknowledges and agrees that any such consulting and communications are protected by our own attorney-client privilege from disclosure to the Client.

5. **Responsibilities of Attorney and Client**

We will provide to the Client legal counsel and assistance in accordance with the accompanying engagement letter. The Client will not look to or rely upon Orrick for any investment, accounting, financial or other non-legal advice, including without limitation any advice regarding the character or credit of any person with whom the Client may be dealing. Although we will at times communicate with the Client by e-mail, letter, or other written form, we may provide much of our counsel and assistance in telephone conversations and meetings with the Client. If the Client ever wishes for us to confirm any oral advice in writing, please let us know.

For us to represent the Client effectively, we need the Client to provide us with complete and candid information regarding the subject matter of the matter, to keep us informed of relevant developments, to make decisions necessary for us to fulfill our responsibilities in the matter and otherwise to provide to us the Client's reasonable assistance and cooperation.

During the course of this engagement, we may express opinions or beliefs to the Client about the effectiveness of various courses of action or about the results that might be anticipated. Such statements are expressions of opinion only, and should not be construed as promises or guarantees.

We have a duty of confidentiality to the Client and each of our other clients. We take this duty very

seriously and, except to the extent permitted by the applicable rules of professional conduct, we will not disclose any confidential information of the Client to any other client or person. Similarly, we cannot disclose to the Client the confidences of any other client even when such information relates to matters that might affect the Client.

6. Termination

The Client may terminate this representation at any time, with or without cause, but in the case of litigation, court approval may be necessary. Subject to the application of the applicable rules of professional responsibility, Orrick also reserves the right to withdraw, if among other things, the Client fails to cooperate or follow Orrick's advice on a material matter, or any fact or circumstance arises that, in Orrick's view, renders our continuing representation unlawful or unethical, or we otherwise have the right to withdraw pursuant to applicable rules of professional responsibility. Any termination of our representation of the Client would be subject to such approval as may be required from any court(s) in which we are appearing on the Client's behalf.

7. Date of Termination

Orrick's representation of the Client will be considered terminated at the earliest of (i) the Client's termination of the representation, (ii) Orrick's withdrawal from the representation, or (iii) the substantial completion of Orrick's substantive work for the Client.

8. File Retention and Disposition

Once our engagement in this Matter ends, we will send you a written notice advising you that this engagement has concluded. You may thereafter direct us to return, retain or discard some or all of the documents pertaining to the engagement. Orrick may charge the Client for the reasonable costs of retrieval, assembly, copying, storage and transfer of all files or materials in any format. If Orrick determines it appropriate to dispose of materials relating to the Matter, Orrick will provide you written notice of that determination. If you do not respond to the notice within sixty (60) days, you agree and understand that any materials left with us after the engagement ends may be retained or destroyed at our discretion without further notice to you and in a manner which preserves the confidential and secret nature of their contents. If you have a Records Retention Policy in place with which outside counsel will need to comply, please advise us so that we may so inform our Records Department.

Notwithstanding the foregoing, and unless you instruct us otherwise, we will return and/or preserve any original documents provided to us by the Client, and any documents we know or believe you will need to retain to enforce your rights or to bring or defend claims. You should understand that "materials" include paper files as well as information in other mediums of storage including voicemail, email, printer files, copier files, facsimiles, dictation recordings, video files, and other formats. We reserve the right to make, at our expense, certain copies of all documents

generated or received by us in the course of our representation. When you request copies of documents from us, copies that we generate will be made at your expense. We will maintain the confidentiality of all documents throughout this process.

Our own files pertaining to the Matter will be retained by the firm (as opposed to being sent to you) or destroyed. These firm files include, for example, firm administrative records, time and expense reports, personnel and staffing materials, and credit and account records. For various reasons, including the minimization of unnecessary storage expenses, we reserve the right to destroy or otherwise dispose of any documents or other materials retained by us within a reasonable time after the termination of the engagement.

9. Arbitration

Although we think it is unlikely, a dispute could arise between us regarding some aspect of the engagement and Orrick's representation of the Client. Any such dispute, whether a claim by the Client against Orrick or by Orrick against the Client, including claims for unpaid fees and charges, negligence, quality of services, breach of contract or fiduciary duty, fraud or any other claims relating to any aspect of the engagement and our representation of the Client is referred to herein as a "Dispute" If we are not able to resolve a Dispute among ourselves, the Client and Orrick agree to resolve such dispute through confidential binding arbitration.

10. Binding Agreement

The engagement letter and these Standard Terms of Engagement represent the entire understanding and agreement between the Client and Orrick with respect to the subject matter referred to herein. By signing below, the Client acknowledges that the engagement letter and these Standard Terms of Engagement have been carefully reviewed and their content understood and that the Client agrees to be bound by all of the terms and conditions. Furthermore, the Client acknowledges that Orrick has made no representations or guarantees to the Client regarding the outcome of the Matter or the time necessary to complete the Matter. The provisions of this letter may only be amended in writing and signed by both parties.

11. Acceptance of Engagement Terms

By signing below, you acknowledge and represent that you have read the engagement letter and these Standard Terms of Engagement, that you understand and agree to the terms and provisions, and that you are authorized to do so on behalf of the Client.

ORRICK, HERRINGTON & SUTCLIFFE LLP	SUPAP KIRTSAENG
By: /s/ E. Joshua Rosenkranz E. Joshua Rosenkranz Partner	By: /s/ Supap Kirtsaeng
Dated: November 11, 2011	Dated: _____, 2011

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October 8, 2013

E. Joshua Rosenkranz
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VIA E-MAIL

Samuel P Israel
Samuel P Israel, P.C.
1 Liberty Plaza
Twenty Third Floor
New York, New York 10006

Re: *John Wiley & Sons, Inc. v. Supap Kirtsaeng*, No. 08-cv-7834

Dear Mr. Israel:

In response to the Court's request, made at the hearing held September 26, 2013, please receive this letter as confirmation that Orrick, Herrington & Sutcliffe LLP ("Orrick"), Supreme Court counsel for Supap Kirtsaeng, was retained to represent Mr. Kirtsaeng pro bono at the Supreme Court level, as set forth in our retainer agreement (which we understand is being produced).

As we understood that Mr. Kirtsaeng was unable to make any further payments for his legal representation, we did not provide him with any invoices. We did, however, keep detailed records of our work and time, as we fully intended to seek legal fees pursuant to the Copyright Act if we were to prevail at the Supreme Court level. We submitted full and complete time records of our work on this matter, detailing all hours spent by attorneys and paralegals and all disbursements, in connection with the July 31, 2013 Motion for Attorneys' Fees at Exhibits J and K to the Rosenkranz Declaration.

Orrick received no payments from Mr. Kirtsaeng or any other person or entity for its work on this matter.

Very truly yours,

/s/ E. Joshua Rosenkranz
E. Joshua Rosenkranz

Supreme Court, U.S.
FILED
FEB 22 2016
OFFICE OF THE CLERK

No. 15-375

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG DBA BLUECHRISTINE99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF FOR PETITIONER

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Counsel for Petitioner

QUESTION PRESENTED

Section 505 of the Copyright Act provides that "the court may ... award a reasonable attorney's fee to the prevailing party." 17 U.S.C. § 505. This Court held in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994), that courts must apply § 505 evenhandedly to plaintiffs and defendants to encourage parties to litigate meritorious claims and defenses. And it endorsed a case-by-case exercise of discretion informed by various "considerations" to yield results "faithful to the purposes of the Copyright Act." *Id.* at 534 & n.19.

The question presented is whether the Second Circuit erred in adopting a standard that emphasizes the objective reasonableness of the losing party's position over all other factors, which unduly limits district court discretion and systematically favors copyright plaintiffs.

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OPINIONS AND ORDERS BELOW

The opinion of the court of appeals affirming the denial of Kirtsaeng's fee request is reported at 605 F App'x 48 and reprinted at Pet. App. 1a-5a. The district court's opinion is reported at 2013 WL 6722887 and reprinted at Pet. App. 6a-24a.

JURISDICTION

The court of appeals entered judgment on May 27, 2015. On August 17, 2015, Justice Ginsburg extended the time for filing a petition for a writ of certiorari to and including September 24, 2015. The petition for a writ of certiorari was timely filed on September 24, 2015, and granted on January 15, 2016. This Court has jurisdiction under 28 U.S.C. § 1254(1).

STATUTE INVOLVED

Section 505 of the Copyright Act, 17 U.S.C. § 505, provides:

> In any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.

INTRODUCTION

If not Supap Kirtsaeng, then who?

The first time Kirtsaeng appeared before this Court, he brought with him a whale of an issue: Whether the Copyright Act's venerable first-sale doctrine, codified at 17 U.S.C. § 109(a), applies to foreign-made copies. The stakes were massive, and not just for Kirtsaeng, but for the country. An estimated $2.3 trillion worth of goods per year. 200 million books. Foreign masterworks by the likes of Matisse and Picasso. All of that and more was hanging in the balance. And by that point, Kirtsaeng had already laid all he had on the line to litigate against John Wiley & Sons, Inc. ("Wiley"), a copyright goliath, in both the district court and Second Circuit, and he had lost both times. The odds were beyond long: Every circuit holding and every major treatise was against him. But Kirtsaeng prevailed, and thus brought one of the Copyright Act's fuzziest borders into focus.

The issue here is whether Kirtsaeng deserves attorney's fees—specifically, the standard by which courts should make that determination. Section 505 of the Copyright Act ("the Act") provides that a district court "may" award fees to a prevailing party. This Court explained in *Fogerty v. Fantasy, Inc.* that Congress intended that "defendants who seek to advance ... meritorious copyright defenses should be encouraged to litigate them," because "it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible." 510 U.S. 517, 527 (1994). The Court directed district courts to bear this

"consideration[]" in mind when exercising their discretion under § 505. *Id.* at 534.

So truly: If not the Kirtsaengs of the world, who could Congress have been interested in encouraging to press on with a meritorious defense?

But when Kirtsaeng moved for fees, the district court denied the request. The fulcrum of the district court's opinion was that Wiley's position was not "objectively unreasonable." Under Second Circuit law, the district court was obliged to assign that factor "substantial weight." With that standard already tilting the scale far towards Wiley, the district court devoted less than a sentence to Kirtsaeng's substantive positions, the result he obtained, the victory's wide-ranging impact, and the financial imbalance he confronted. By dint of the Second Circuit's standard, all that seemed to matter—in applying a statute focused on *encouraging* meritorious claims and defenses—was making sure not to *discourage* a wealthy, sophisticated plaintiff from filing a losing, but not completely unreasonable, claim. The Second Circuit summarily affirmed.

The Second Circuit's standard is wrong. A rule that *mandates* the weight of a particular factor in every single case restricts district court discretion to consider relevant factors and assign them relative weights in a given case—which is the quintessence of discretion. The Second Circuit's standard also ignores this Court's teaching in *Fogerty*, which rejected the "dual standard" that explicitly favors plaintiffs (who were presumptively entitled to fees) over defendants (who could secure fees only if the plaintiff was

blameworthy). Because the Second Circuit's "objective reasonableness" standard, too, is keyed to blameworthiness, it does implicitly what the disgraced dual standard did explicitly. Prevailing plaintiffs will almost always be able to show that infringing defendants are blameworthy simply because they are infringers, whereas prevailing defendants will struggle to show that plaintiffs' claims are frivolous. So the game is rigged for plaintiffs in just the way *Fogerty* rejects.

So what standard will best honor Congress's intent in promulgating § 505? In keeping with *Fogerty* and the congressional aims this Court identified there, this Court should hold (as the Ninth and Eleventh Circuits have) that an award of fees under § 505 is generally appropriate where the prevailing party's litigation has advanced the purposes of the Copyright Act. The greater the extent to which a result has directly promoted creation or dissemination, or clarified the Act's contours, the more compelling will be the case for a fee award. But in all events, the district court's ultimate determination as to whether fees are appropriate under this standard in a given case must be based on the totality of the circumstances, taking into account any equitable factors that are relevant and "faithful to the purposes of the Copyright Act." *Fogerty*, 510 U.S. at 534 n.19.

The Second Circuit's decision should be reversed.

STATEMENT OF THE CASE

Wiley Accuses Kirtsaeng Of Copyright Infringement

Supap Kirtsaeng, a citizen of Thailand, was living in the United States and studying math. Pet. App. 34a. He "paid for his education with the help of a Thai Government scholarship which required him to teach in Thailand for 10 years on his return." *Id.* That is what he is doing now, having earned his undergraduate degree and Ph.D. *Id.*

While studying here, Kirtsaeng noticed that textbooks sold in the U.S. had virtually identical foreign editions, sold abroad at lower prices. After learning of the price discrepancies, "Kirtsaeng asked his friends and family in Thailand to buy copies of foreign edition English-language textbooks at Thai book shops ... and mail them to him in the United States." *Id.* "Kirtsaeng would then sell them, reimburse his family and friends, and keep the profit." *Id.*

Some of these textbooks were published by John Wiley & Sons, Inc. Wiley is a global, publicly traded publishing company with 4900 employees and annual revenues surpassing $1.82 billion. John Wiley & Sons, Inc., Annual Report (Form 10-K), at 4, 14 (Apr. 30, 2015), http://tinyurl.com/Wiley10K-FY15. It publishes a range of textbooks both in the United States and abroad. Pet. App. 32a-33a. Wiley engaged in rampant price discrimination: It would set a high price for its textbooks sold in the United States, where the population was less price-sensitive, and would sell

"essentially equivalent" versions overseas for less. Pet. App. 34a.

Kirtsaeng was not the only one who saw opportunity in the market imbalance; nor was he anywhere near the biggest. Billions of dollars of goods cross U.S. borders premised on this same practice. The last time the issue came to this Court, the defendant was Costco. *See Costco Wholesale Corp. v. Omega S.A.*, 131 S. Ct. 565 (2010). But the textbook industry was set on building a body of first-sale precedent. So it devised a strategy of filing cases against bit players like Kirtsaeng—particularly foreign students.[1] Wiley sued Kirstaeng for copyright infringement. Pet. App. 35a.

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[1] *See, e.g.*, Complaint, *John Wiley & Sons, Inc., McGraw-Hill Cos., Inc., Pearson Educ., Inc. & Cengage Learning, Inc. v. Rivandeneyra, et al.*, No. 2:13CV1085, 2013 WL 875539 (D. N.J. Feb. 22, 2013); First Amended Complaint, *McGraw-Hill Cos., Inc., Pearson Educ., Inc. & Cengage Learning, Inc. v. Jones, et al.*, No. 12-cv-7085 (AJN), 2012 WL 6949287 (S.D.N.Y. Oct. 11, 2012); Amended Complaint, *John Wiley & Sons, Inc., Cengage Learning, Inc. & McGraw-Hill Cos., Inc. v. Hung*, No. 11 Civ. 9506 (PAC), 2012 WL 3019484 (S.D.N.Y. 2012); *Pearson Educ., Inc. v. Liu*, 656 F Supp. 2d 407, 408 (S.D.N.Y. 2009); *Pearson Educ., Inc., John Wiley & Sons, Inc., Cengage Learning Inc. & McGraw-Hill Cos., Inc. v. Kumar, et. al.*, 721 F. Supp. 2d 166 (S.D.N.Y. 2010); *Pearson Educ., Inc., John Wiley & Sons, Inc., Cengage Learning, Inc. & McGraw-Hill Cos., Inc. v. Arora, et al.*, 717 F. Supp. 2d 374 (S.D.N.Y. 2010); Amended Complaint, *John Wiley & Sons, Inc. & McGraw-Hill Cos., Inc. v. Shumacher, et al.*, No. 109-cv-02108, 2009 WL 3219590 (S.D.N.Y. 2009); Complaint, *Pearson Educ., Inc. & John Wiley & Sons, Inc. v. Erlichman, et al.*, No. 108CV04550, 2008 WL 2755706 (S.D.N.Y. 2008); Complaint, *Cengage Learning, Inc. v. Buckeye Book, et al.*, No. 07CIV8540, 2007 WL 4837820 (S.D.N.Y. 2007).

Kirtsaeng Unsuccessfully Mounts A First-Sale Defense

Kirtsaeng countered with the first sale doctrine. *See* 17 U.S.C. § 109(a). Under the first sale doctrine, someone who lawfully buys a copy of a work is "free to dispose of [that copy] as they wish"—in other words, after the "first sale," the copyright owner's rights are exhausted. Pet. App. 30a; *see generally Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350 (1908).

The problem was that courts had long ago rejected that argument. The first sale doctrine applies only to copies "lawfully made under this title," 17 U.S.C. § 109(a)—that is, Title 17, the Copyright Act. Numerous courts had concluded that this limitation excluded copies made abroad. *See Denbicare U.S.A. Inc. v. Toys R Us, Inc.*, 84 F.3d 1143, 1150 (9th Cir. 1996) ("[U]nder the law of the circuit, § 109 applies to copies made abroad only if the copies have been sold in the United States by the copyright owner or with its authority."); *Columbia Broad. Sys., Inc. v. Scorpio Music Distribs., Inc.*, 569 F. Supp. 47, 49 (E.D. Pa. 1983), *aff'd without op.*, 738 F.2d 421 (3d Cir. 1984). Every circuit to resolve the question had ruled against Kirtsaeng's position. And every major copyright treatise agreed Kirtsaeng was wrong. Pet. App. 113a (noting that "none of the three major treatises on U.S. copyright law embrace[d]" Kirtsaeng's position).

Against all odds—not to mention a sophisticated opponent with a massive warchest—Kirtsaeng chose to press his defense. After a year of litigation, the district court sided with Wiley. It held that the first sale doctrine did not apply to foreign-manufactured

works. Pet. App. 156a-87a. The jury found Kirtsaeng liable for willful infringement of Wiley's copyrights. Pet. App. 35a. It awarded Wiley statutory damages of $75,000 per work, for a whopping $600,000. Pet. App. 35a. That was more than 16 times Kirtsaeng's $37,000 in revenues from the sale of Wiley's books and presumably many times his profits. Pet. App. 161a. Because this judgment was beyond Kirtsaeng's means, Wiley persuaded the district court to order him to turn over personal property to satisfy the judgment, including his computer, printer, and golf clubs. JA 8.

Kirtsaeng fought on, appealing to the Second Circuit. In a divided decision, the panel affirmed. Like the district court, the majority held that the "first sale" doctrine does "not [apply] to foreign manufactured works." Pet. App. 140a.

Meanwhile, as Kirtsaeng was litigating his case, his chances of success were becoming more and more remote. While his appeal was pending before the Second Circuit, two more district courts had rejected a first-sale defense in connection with foreign-made copies. *See Pearson Educ., Inc. v. Liu*, 656 F Supp. 2d 407, 416 (S.D.N.Y 2009); *Pearson Educ., Inc. v. Liao*, No. 07-Civ-2423 (SHS), 2008 WL 2073491, at *3-4 (S.D.N.Y. May 13, 2008). The Ninth Circuit had also reaffirmed its rule that the first sale doctrine did not apply to foreign-made copies, *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008), and although this Court granted review, it divided evenly and affirmed, *Costco Wholesale Corp.*, 131 S. Ct. 565.

This Court Vindicates Kirtsaeng's Position, Clarifying The First-Sale Doctrine

Kirtsaeng retained additional counsel pro bono and petitioned for this Court's review. Wiley countered with Ted Olson.

The Court granted the petition to address the scope of the "first sale" doctrine. Pet. App. 29a-69a (*Kirtsaeng I*). In a 6-3 decision, the Court reversed the Second Circuit, vindicating Kirtsaeng's position by holding that the "first sale" doctrine applies to a copy of a work regardless of where the copy is manufactured or sold, so long as the copy in question was made in compliance with the Copyright Act. *Id.* Once such a copy is sold, the copyright owner's rights are extinguished. *Id.*

As the majority opinion makes plain, the practical import of this decision was not at all lost on the Court. Pet. App. 52a-56a. In large part, it was Kirtsaeng and an unusually large and diverse group of amici that brought these implications to light. "Associations of libraries, used-book dealers, technology companies, consumer-goods retailers, and museums point[ed] to various ways in which [Wiley's position] would fail to further basic constitutional copyright objectives, in particular 'promot[ing] the Progress of Science and useful Arts.'" Pet. App. 52a (quoting U.S. Const., art. I, § 8, cl. 8); *see* JA 84-85. As this Court recognized, "American retailers buy many [foreign] goods after a first sale abroad." Pet. App. 54a. Those sales amount to "over $2.3 trillion worth of foreign goods," and "American sales of more traditional copyrighted

works, 'such as books, recorded music, motion pictures, and magazines' likely amount to over $220 billion." Pet. App. 54a. Everything from museum pieces to "automobiles, microwaves, calculators, mobile phones, tablets, and personal computers" contain copyrightable work that may be imported after a first sale abroad. Pet. App. 53a-54a. For entities in those businesses, "reliance upon the 'first sale' doctrine is deeply embedded." Pet. App. 56a. And the "practical problems" with not adopting Kirtsaeng's position were simply "too serious, too extensive, and too likely to come about" for this Court to "dismiss ... as insignificant." Pet. App. 57a-58a.

But none of those consequences came to pass, because although Kirtsaeng had litigated and lost, and then litigated and lost again, he soldiered on and prevailed.

Kirtsaeng Is Denied Attorney's Fees

On remand, the Second Circuit acknowledged that Kirtsaeng's first sale defense foreclosed Wiley's claims. Pet. App. 28a. Back in the district court, Kirtsaeng sought his reasonable attorney's fees as the prevailing party under § 505. The district court denied the fee motion outright, reasoning that no fee award was appropriate and therefore not reaching the question of the appropriate amount of any award. Pet. App. 6a-24a.

The engine of the district court's decision was its finding that Wiley's legal theory was not "objectively unreasonable." Pet. App. 12a. This focus, the court explained, was dictated by Second Circuit precedent

that "emphasized in particular the importance of ... objective unreasonableness." Pet. App. 10a. The remainder of its analysis was then directed at whether any other factors "outweigh[] the substantial weight accorded to the objective reasonableness of Wiley's ultimately unsuccessful claim." Pet. App. 18a. The court acknowledged briefly that "Kirtsaeng's successful defense against Wiley's claim clarified the contours of the Copyright Act," Pet. App. 17a, and that Kirtsaeng obtained a "degree of ... success," Pet. App. 17a. It also noted that Kirtsaeng overcame a "large financial disparity" between the parties. Pet. App. 24a. But ultimately, for the district court, none of this mattered because it could not overcome the "substantial weight" the court was required to accord Wiley's non-frivolous claim under Second Circuit law.

Kirtsaeng appealed and the Second Circuit affirmed. It reiterated that binding Second Circuit precedent required the district court's placement of "'substantial weight' on the reasonableness" of a losing party's claim. Pet. App. 4a (quoting *Matthew Bender & Co. v. W. Publ'g Co.*, 240 F.3d 116, 122 (2d Cir. 2001)). And it reaffirmed its presumption that "the imposition of a fee award against a copyright holder with an objectively reasonable litigation position will generally not promote the purposes of the Copyright Act." *Id.* (quoting *Matthew Bender*, 240 F.3d at 122). About the risk Kirtsaeng took in pressing his position; the feat of overcoming an imbalance of litigation resources; the long-shot Supreme Court victory and its pathbreaking clarification of the law; and the narrowly averted array of deleterious consequences identified by this Court, the Second Circuit offered not a single word.

SUMMARY OF THE ARGUMENT

I. This Court addressed § 505's text and underlying purpose in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994). There, it rejected the "dual standard" for awarding attorney's fees, which favored prevailing plaintiffs over prevailing defendants. The Court explained that Congress enacted § 505 to "encourage[]" both plaintiffs "to litigate meritorious claims of infringement" and defendants "to advance a variety of meritorious copyright defenses." *Id.* at 527. Congress wanted to encourage such positions because prevailing on them ensures "that the boundaries of copyright law [are] demarcated as clearly as possible" and directly serves the Act's twin goals of creation and dissemination. *Id.* Section 505 must be applied, the Court explained, with these "considerations" in mind, and courts should consider any relevant factor "so long as such factors are faithful to the purposes of the Copyright Act." *Id.* at 534 & n.19.

Although this Court did not prescribe a substantive standard in *Fogerty*, three principles informing that question can be distilled from the opinion. First, any standard must be evenhanded. Second, the standard must not pretermit district court discretion to consider and weigh any relevant factor. And third, the inquiry as a whole must be focused on advancing the goals of the Copyright Act, and in particular on encouraging optimal levels of meritorious litigation—both claims and defenses.

II. The Second Circuit's § 505 standard—which requires district courts, in every case, to give "substantial weight" to whether the losing party's position

was "objectively reasonable"—is fundamentally at odds with *Fogerty*, and nothing in either the Copyright Act or this Court's case law supports it.

The first problem is that it displaces a district court's elemental discretion to assign relative weights to factors in evaluating the appropriateness of a fee award. This Court has consistently rejected fee standards that rig the scale through presumptions or interpretive gloss with no support in the provision's text or the larger goals of the relevant statute. It is particularly telling in this regard that the Second Circuit's standard mirrors the standard that applies to fee shifting statutes (in, for example, the patent and trademark contexts) that limit district court discretion to "exceptional cases." The Second Circuit standard ignores Congress's deliberate decision not to impose such a limitation in § 505.

The Second Circuit standard also flouts *Fogerty*'s evenhandedness principle. The reason is that it is based not on encouraging good positions, but on punishing bad ones. Under a punishment-based approach, a defendant who has infringed will virtually *always* be found to have done something blameworthy; but a plaintiff who wrongly accuses a defendant of infringement will be viewed as blameworthy only if the lawsuit is frivolous. So the pre-*Fogerty* imbalance persists.

Some courts, including the district court here, have tried to defend the Second Circuit's presumption on the ground that "novel cases require a plaintiff to sue in the first place," Pet. App. 18a (emphasis and quotation marks omitted). So, the thinking goes, even

if the prevailing defense is one § 505 was enacted to encourage, the plaintiff deserves part of the credit, too, and should not be deterred from bringing suit. To be sure, courts should consider the litigation incentives on both sides when evaluating a fee request. But the same incentives do not apply in every case. In a given case, the strength of the claim, the cost of litigating it, the potential recovery in the event of victory, and the relative resources of the parties will all inform the incentive structure. So it makes no sense at all to identify one such factor that might apply in some cases and turn it into a presumption given "substantial weight" in all of them.

Although neither Wiley nor any court has ever suggested otherwise, we note for the sake of completeness that *Martin v. Franklin Capital Corp.*, 546 U.S. 132 (2005), does not support the Second Circuit standard. The standard in *Martin*, which allows for a fee award only where the losing party "lacked an objectively reasonable basis" for its position, is based on the particular objectives of the federal removal statute and its attorney's fee provision. *Id.* at 141. Section 505, *Fogerty* makes clear, is based on entirely different objectives, so *Martin*'s holding is inapposite.

III. This Court should hold, as the Ninth and Eleventh Circuits do, that a fee award under § 505 is ordinarily appropriate where the prevailing party achieved a result that advanced the purposes of the Copyright Act—that is, advanced the goals of creation and dissemination of creative works.

This Court has explained that where a federal fee-shifting provision does not identify a standard, the

discretion it grants must be guided by "'the large objectives' of the relevant Act." *Indep. Fed'n of Flight Attendants v. Zipes*, 491 U.S. 754, 759 (1989) (quoting *Albemarle Paper Co. v. Moody*, 422 U.S. 405, 416 (1975)). The goal of the Copyright Act is to encourage creation and dissemination of creative works; it accomplishes this by granting authors a private entitlement to profit from their work, but limiting that entitlement so as to enable dissemination and public access. As *Fogerty* explains, meritorious copyright litigation can further these ends by compensating authors and incentivizing further authorship (when the plaintiff wins), increasing access to works (when the defendant does), or demarcating the Act's boundaries (no matter who wins). Congress crafted § 505 to encourage that sort of litigation, and the best way of doing so is a standard aimed directly at furthering the Act's purposes.

Such a standard does not automatically entitle any prevailing party in a copyright case to a fee award. The extent to which a result advances the Act's purposes is a case-by-case determination. A case of seismic significance for a particular industry, or one that settles a substantive legal issue with broad applicability, likely falls on the more deserving end of the spectrum. A case with only localized significance, or one that turns on a technical issue like copyright formalities or the statute of limitations, will likely rest on the less deserving side. But there is no formula or rule—in each case, the prevailing party will have to demonstrate how her position advanced the Act's objectives, and the district court will have to weigh competing factors.

The purposes-of-the-Act standard encourages this broad inquiry. Case law applying it has considered an array of equitable factors, including the nature, quality, and effect of the result; the strength of the parties' substantive positions; the parties' motivations; the array of litigation incentives at play; and the parties' relative resources. A district court may properly consider each of these factors, and potentially more in light of case-specific considerations, in making a case-by-case attorney's fees determination under § 505.

IV. The other two standards adopted by the courts of appeals, while not as flawed as the Second Circuit standard, are nevertheless no match for the purposes-of-the-Act standard in terms of their faithfulness to both the text of § 505 and the large objectives of the Copyright Act.

The Fifth and Seventh Circuits both apply a strong presumption that the prevailing party is entitled to fees. Although these presumptions are based on litigation incentives that may well apply in many or most cases, they are nevertheless inconsistent with this Court's repeated admonitions that the fee inquiry is inherently a case-by-case determination. The Third, Fourth, and Sixth Circuits, meanwhile, hardly apply any standard at all, calling instead for an unguided consideration of all relevant factors. District courts should indeed consider all relevant factors, but their discretion must be guided by a touchstone informed by the objectives of the Copyright Act. Channeling district court discretion towards the purposes of the Copyright Act will advance

the Act's goals and promote consistent, predictable results.

ARGUMENT

In the Copyright Act, Congress saw fit to modify the American Rule. Section 505 of the Act says that "the court may ... award a reasonable attorney's fee to the prevailing party." 17 U.S.C. § 505. It prescribes no specific criteria for when an award might or might not be appropriate, reflecting the congressional judgment that district courts should have broad and flexible equitable discretion to award attorney's fees in appropriate copyright cases. But "discretion is rarely without limits." *Zipes*, 491 U.S. at 758-59. Some standard must guide the § 505 inquiry, and the question presented here is what that standard is.

Any discussion of § 505 must begin with its text and underlying purpose. This Court addressed both in *Fogerty v. Fantasy, Inc.* *Fogerty* mandates an evenhanded, totality-of-the-circumstances inquiry focused on encouraging meritorious copyright litigation. § I. The Second Circuit's standard is inconsistent with § 505's text and this Court's precedent. § II. The proper standard revolves around whether the result advances the purposes of the Copyright Act. § III. The various other standards that courts of appeals have applied are not as suitable. § IV

I. Section 505 Gives District Courts Flexible, Evenhanded, And Broad Discretion To Encourage Meritorious Litigation.

In *Fogerty*, this Court confronted the so-called "dual standard" that some courts of appeals had adopted in applying § 505. 510 U.S. at 533. Under the dual approach, prevailing plaintiffs in copyright infringement actions were "generally awarded attorney's fees as a matter of course, while prevailing defendants [had to] show that the original suit was frivolous or brought in bad faith." *Id.* at 520-21. This Court rejected that approach, explaining that the text of § 505 favored neither plaintiffs nor defendants. It dictated an "'evenhanded' approach" in which "[p]revailing plaintiffs and prevailing defendants are to be treated alike." *Id.* at 534, 536.

Fogerty did not specifically prescribe a substantive standard to replace the dual standard, but neither did it leave courts in the dark. As this Court has explained, where a federal fee-shifting provision does not identify a standard, the discretion it grants must be guided by "'the large objectives' of the relevant Act." *Zipes*, 491 U.S. at 759 (quoting *Albemarle Paper Co.*, 422 U.S. at 416). The opinion in *Fogerty* lights the path quite clearly.

Most illuminating is the Court's understanding of the congressional purpose animating § 505. The aim, the opinion makes clear, was not (or, at least, not only) to discourage undesirable litigation, but to encourage meritorious claims and defenses. This is a key premise underlying the Court's rejection of the rationale proffered for the "dual approach"—that, "by

awarding attorney's fees to prevailing plaintiffs as a matter of course," the approach "encourage[d] litigation of meritorious claims of copyright infringement." *Fogerty*, 510 U.S. at 525. Sure, the Court held, § 505's goal was to encourage certain types of litigation. Just not based on a "one-sided view of the purposes of the Copyright Act." *Id.* at 526. The Court emphasized that "a successful defense of a copyright infringement action may further the policies of the Copyright Act every bit as much as a successful prosecution of an infringement claim by the holder of a copyright." *Id.* at 527 Section 505 thus aims to "encourage[]" both plaintiffs "to litigate meritorious claims of infringement" and defendants "to advance a variety of meritorious copyright defenses." *Id.*

The Court also explained why Congress would have wanted to encourage such litigation. First, "[b]ecause copyright law ultimately serves the purpose of enriching the general public through access to creative works, it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible." *Id.* Meritorious litigation, whether by the plaintiff or the defendant, clarifies the perimeters of copyright protection. Second, perhaps more directly, a successful claim or defense furthers the Copyright Act's goals either by rewarding creation or by enlarging public entitlement—and, in both cases, stimulating further creative work. Hence the Court's observation that, by prevailing on his defense, defendant Fogerty "increased public exposure to a musical work that could, as a result, lead to further creative pieces." *Id.*

Fogerty also explains how § 505 is meant to be applied. It explained that "[t]he word 'may' clearly connotes discretion," and so fees are not to be awarded—or, by the same token, denied—"as a matter of course." *Id.* at 533. Rather, "fees are to be awarded to prevailing parties only as a matter of the court's discretion." *Id.* at 534. In exercising that discretion, "[t]here is no precise rule or formula." *Id.* (quotation marks omitted).

What there is—in keeping with this Court's direction in *Zipes*, 491 U.S. at 759, and elsewhere—is guidance inherent in the Copyright Act and § 505's purposes. The Court specifically directed courts to apply § 505 "in light of the considerations [the Court] ... identified"—that is, the importance of meritorious copyright litigation and Congress's desire to encourage it. *Fogerty*, 510 U.S. at 534 (citation omitted). And it concluded with a footnote identifying some potentially relevant factors. Footnote 19 is so often cited that it bears reprinting in full:

> Some courts following the evenhanded standard have suggested several nonexclusive factors to guide courts' discretion. For example, the Third Circuit has listed several nonexclusive factors that courts should consider in making awards of attorney's fees to any prevailing party. These factors include "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." *Lieb v. Topstone Indus., Inc.*, 788

> F.2d 151, 156 (1986). We agree that such factors may be used to guide courts' discretion, so long as such factors are faithful to the purposes of the Copyright Act and are applied to prevailing parties and defendants in an evenhanded manner.

Fogerty, 510 U.S. at 534 n.19.

Three principles, then, can be distilled from *Fogerty*. First, any standard must not favor parties on one side of the "v." over parties on the other. Second, it must not pretermit the district courts' broad and flexible discretion to consider and weigh any relevant factor based on the totality-of-the-circumstances. And third, the inquiry as a whole must be focused on advancing the goals of the Copyright Act, and in particular on encouraging optimal levels of meritorious litigation—both claims and defenses.

Some circuits got the *Fogerty* message loud and clear. These courts have held that the proper fee standard under § 505 is focused on whether meritorious litigation has advanced the purposes of the Copyright Act—that is, creation and dissemination of creative works. *Fantasy, Inc. v. Fogerty* ("*Fogerty II*"), 94 F.3d 553, 555 (9th Cir. 1996); *MiTek Holdings, Inc. v. Arce Eng'g Co.*, 198 F.3d 840, 842-43 (11th Cir. 1999). Under that standard, they have explained, courts are required to consider fee requests case-by-case, focusing on the extent to which the result furthered the Act's purposes, along with the *Fogerty* footnote's enumerated factors and any other relevant equitable considerations. We explain that approach in greater detail below (in § III).

But we turn first to the Second Circuit, which charted a different course.

II. The Second Circuit's *Matthew Bender* Standard Is Fundamentally At Odds With § 505's Text And Supreme Court Precedent.

The Second Circuit announced its standard in *Matthew Bender*, 240 F.3d 116. There, the court seized on the *Fogerty* footnote's "nonexclusive factors," and it plucked out one—the "objective reasonableness" of the losing party's position—to elevate over all others. *Id.* at 121-22 (quoting *Fogerty*, 510 U.S. at 534 n.19). The court held that "the objective reasonableness factor" should be accorded "substantial weight in determinations whether to award attorneys' fees." *Id.* at 121. And it suggested that "the imposition of a fee award against a copyright holder with an objectively reasonable litigation position will generally not promote the purposes of the Copyright Act." *Id.* at 122 (quotation marks omitted). It defined those purposes narrowly (and incompletely) as "to encourage the origination of creative works by attaching enforceable property rights to them." *Id.* (citation omitted).

Matthew Bender is fundamentally at odds with *Fogerty* and its reading of the statutory text in two ways: (A) it improperly pretermits district court discretion; and (B) it flouts *Fogerty*'s evenhandedness requirement. And nothing in either the Copyright Act's large objectives or this Court's case law supports it. *Infra* §§ C-D.

A. The Second Circuit's standard improperly pretermits district court discretion.

Problem one with the Second Circuit standard is that it displaces the district court's balancing of factors with its own. By endowing one factor with special weight in all cases, it interferes with the case-by-case exercise of discretion that *Fogerty* demands. It also conflicts with the statutory text by reading into it a limitation—one reminiscent of the "exceptional case" limitation contained in other fee shifting statutes—that Congress intentionally declined to impose.

1. As just explained (at 20-21), *Fogerty* could not have been more plain that the § 505 inquiry requires a case-by-case balancing of a host of relevant equitable factors. What could be more elemental to that balancing than assigning relative weights to particular factors in a given case before placing them on the scale?

Yet the Second Circuit standard dictates *in every § 505 case* that a single factor—objective reasonableness of the losing party's position—gets "substantial weight" relative to the others. *Matthew Bender*, 240 F.3d at 121-22. This Court has consistently rejected fee standards that rig the scale through such use of presumptions or interpretive gloss ungrounded in the relevant statute. *Fogerty*, 510 U.S. at 533; *see Octane Fitness, LLC, v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014) (rejecting "rigid" two-part standard applied to Patent Act fee provision); *Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242 (2010) (rejecting "prevailing party"

limitation as inconsistent with text of ERISA fee provision). Because the Second Circuit standard is flatly irreconcilable with § 505, *Fogerty*'s admonitions regarding district court discretion, and indeed fundamental notions of what a discretionary inquiry entails, it deserves the same fate.

Matthew Bender did not fix the problem with the empty qualification that "[i]n an appropriate case, the presence of other factors might justify an award of fees." 240 F.3d at 122. That is the very definition of a presumption: It gets substantial weight—and presumptively prevails—unless and until other factors might justify overcoming it. Elevating one consideration above all others is, in and of itself, improper under *Fogerty*. Moreover, what might read like a preference in print has become a fetish in practice—and the theoretical possibility of overcoming it has proved to be cold comfort for prevailing defendants. The Second Circuit has repeatedly affirmed district court decisions denying attorney's fees to prevailing defendants, often based solely on the determination that the losing plaintiff's position was objectively reasonable.[2] And despite the purportedly

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[2] *Russian Entm't Wholesale, Inc. v. Close-Up Int'l, Inc.*, 482 F App'x 602, 607 (2d Cir. 2012) (affirming denial of fees to prevailing copyright infringement defendants; concluding that "while [copyright holder plaintiff's] merits arguments were ultimately unpersuasive, its claims ... were neither legally nor factually unreasonable"); *Arista Records, LLC v. Launch Media, Inc.*, 344 F App'x 648, 651 (2d Cir. 2009) (affirming denial of attorney's fees to prevailing defendant because plaintiff's claims were "reasonable"); *Lava Records, LLC v. Amurao*, 354 F. App'x 461, 462 (2d Cir. 2009) (affirming denial of attorney's fees to prevailing copyright infringement defendant); *Medforms, Inc. v. Healthcare Mgmt. Sols., Inc.*, 290 F.3d 98, 117 (2d Cir. 2002)

deferential standard of review, the Second Circuit has *reversed* district court decisions *awarding* attorney's fees to prevailing defendants—again often based solely on the court's determination that the plaintiff's litigation position was objectively reasonable.[3]

Make no mistake: The Second Circuit's elevation of objective reasonableness exerts a powerful influence over the § 505 analysis. In any case where the losing party's position is non-frivolous, the scales are tipped towards that party before the rest of the analysis even begins. To confirm this, one need look no further than the opening pages of the district court's analysis here. Pet. App. 12a-13a; *supra* 10-11.

2. Congress could have drafted a statute that constrained district courts' discretion as the Second

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(affirming denial of attorney's fees to prevailing copyright infringement defendants where plaintiffs' "claims were not frivolous or objectively unreasonable, and ... there were close questions of fact and law weighing against an award to the defendants"); *Viva Video, Inc. v. Cabrera*, 9 F. App'x 77, 80 (2d Cir. 2001) (affirming partial denial of attorney's fees to prevailing defendant where losing plaintiffs' claims were not objectively unreasonable, even though plaintiff "conducted its case quite poorly and was unable to support its claims against" the defendants).

[3] *Effie Film, LLC v. Murphy*, Nos. 14-3367-CV, 15-1573-CV. 2015 WL 6079993, at *2 (2d Cir. Oct. 16, 2015) (finding that district court abused its discretion in granting fees to a prevailing defendant because copyright holder's arguments, while "without merit," were not "objectively unreasonable"); *see also Zalewski v. Cicero Builder Dev., Inc.*, 754 F.3d 95, 108 (2d Cir. 2014) (vacating award of attorney's fees and remanding after rejecting district court's determination that copyright plaintiff's litigating position was objectively unreasonable).

Circuit does. It would have said: "The court in exceptional cases may award reasonable attorney fees to the prevailing party." That is the fee provision that Congress enacted in both the Patent Act and the Lanham Act. 15 U.S.C. § 1117(a) (Lanham Act); 35 U.S.C. § 285 (Patent Act).

The absence of an "exceptional case" limitation could hardly have been accidental—both the Patent Act and Lanham Act fee provisions were on the books when Congress enacted § 505 in 1976. Surely they were top of mind when Congress considered the optimal rule in the copyright context. Even when it comes to federal statutes generally, "the interpretation of a ... statute may be influenced by language of other statutes which are not specifically related, but which apply to similar persons, things, or relationships." *Nat'l Fed'n of Fed. Emps., Local 1309 v. DOI*, 526 U.S. 86, 105 (1999) (citation omitted). This principle applies with even more force here, given that patent, trademark, and copyright are "closely related," *Fogerty*, 510 U.S. at 525 n.12.

What exactly was Congress rejecting when it decided not to borrow the "exceptional case" standard? This Court's recent decision in *Octane Fitness*, 134 S. Ct. 1749, explains that "an 'exceptional' case is simply one that stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated." *Id.* at 1756. In other words, the district court is empowered to punish a party with a fee award only in cases that are "un-

common, rare, or not ordinary" because of the extraordinary weakness of the loser's position or baseness of his litigation tactics. *Id.* (citation omitted). This makes sense, because Congress's goal in the patent context, as a contemporaneous Senate Report explained, was "to enable the court to prevent a gross injustice." S. Rep. No. 1503, at 2 (1946).

What Congress was rejecting, then, was something very much like the Second Circuit standard. That standard—presumptively unsatisfied except where the losing party's position was frivolous—is Exceptional Case Light. The problem is that § 505 is not reserved for "exceptional cases," and it is not (or not only) about punishment. In fact, *Fogerty* noted and then expressly rejected an approach that treated a fee award against a plaintiff as "a penalty imposed upon the plaintiff for institution of a baseless, frivolous, or unreasonable suit, or one instituted in bad faith." 510 U.S. at 532 n.18 (quoting *Breffort v. I Had a Ball Co.*, 271 F. Supp. 623, 627 (S.D.N.Y. 1967)). By applying a punishment-based standard anyway, the Second Circuit excludes from district court discretion a *lot* of cases—so many that the cases in which district courts *do* have discretion could fairly be described as, well, exceptional. That cannot be right.

B. The Second Circuit standard flouts *Fogerty*'s evenhandedness requirement.

The Second Circuit standard also contravenes *Fogerty*'s evenhandedness principle—the requirement that § 505 encourage meritorious claims *and* defenses alike. This flaw is inherent in *Matthew Bender*'s very foundation. The court there justified

elevating objective reasonableness on the view that "the 'principal purpose of the Copyright Act is to encourage the *origination* of creative works by attaching enforceable property rights to them.'" 240 F.3d at 122 (quoting *Diamond v. Am-Law Publ'g Corp.*, 745 F.2d 142, 147 (2d Cir. 1984)) (emphasis added). That is at best half right. That is what the Copyright Act does for *copyright holders*. As discussed elsewhere (at 19, 37-38), there is a higher aim: "[C]opyright law ultimately serves the purpose of enriching the general public through access to creative works." 510 U.S. at 527 That is what the Copyright Act does for *members of the public*, who, like Kirtsaeng, provide or benefit from greater *access* to creative works. In other words, the Second Circuit's half loaf is precisely the "one-sided view of the goals of the Copyright Act" that this Court rejected in *Fogerty* as failing to take into account the important role played by copyright *defendants* in "advanc[ing] a variety of meritorious copyright defenses." *Id.*

Reasoning like the Second Circuit's has frustrated *Fogerty*'s promise. It is no secret in copyright circles that despite this Court's clear directive, "a dual standard continues to prevail." John Tehranian, *Curbing Copyblight*, 14 Vand. J. Ent. & Tech. L. 993, 1016 (2012); *see* Jeffrey Edward Barnes, Comment, *Attorney's Fee Awards in Federal Copyright Litigation After* Fogerty v. Fantasy, 47 UCLA L. Rev. 1381, 1403 (2000) ("Even with the increased frequency of fee awards to prevailing defendants, section 505 remains a two-tiered fee-shifting regime."); William F. Patry, 6 *Patry on Copyright* § 22:210 (2015). And the consensus is equally clear that the culprits are fee standards that, while on their face neutral, feature a

punishment-based standard that inherently favors plaintiffs. Patry, *supra*, § 22:210; Barnes, *supra*, at 1396 ("*Fogerty* has not changed a prevailing defendant's need to show that [the opposing party's] conduct during the course of litigation is culpable in order to win a fee award.").

The criticism of the Second Circuit's standard has been especially harsh. As one leading commentator has put it, it is nothing more than a "semantic trick used to continue to apply the dual system rejected in *Fogerty*." Patry, *supra*, § 22:210. The reason the trick works is simple: Under a punishment-based approach, a defendant who has infringed will virtually *always* be found to have done something culpable; but a plaintiff who wrongly accuses a defendant of infringement will be viewed as culpable only if the lawsuit is frivolous. That is why, despite *Fogerty*'s mandate, copyright plaintiffs have nearly always received their fees—89% of the time, according to one survey of pre- and post-*Fogerty* fee cases, Barnes, *supra*, at 1383—and copyright defendants have lagged behind—at 61% nationwide, *id.*, and far less in the Second Circuit. "Old habits die hard." Patry, *supra*, § 22:210. And two decades of experience has proven that even standards that appear evenhanded in formulation can turn out to be one-sided in practice.

This Court should finish the job that *Fogerty* started by eliminating a punishment-based touchstone that inherently favors plaintiffs.

C. The two-to-tango rationale does not justify the Second Circuit's standard.

Some courts within the Second Circuit—including the district court here—have offered an alternative rationale for elevating objective reasonableness over other factors. The argument rests on the idea that "novel cases require a plaintiff to sue in the first place." Pet. App. 18a (quoting *Canal+ Image UK Ltd. v. Lutvak*, 792 F Supp. 2d 675, 683 (S.D.N.Y. 2011)). Call it the two-to-tango theory of § 505. In essence, the court is saying to defendants like Kirtsaeng: "You really advanced the law by prevailing on your first-sale defense—and it's exactly the sort of defense § 505 is designed to advance. Kudos to you. But you couldn't have done it without getting sued. So Wiley deserves part of the credit for how you advanced the law. That factor should, therefore, be a wash." From this logic, these courts derive the rule that "a court should *not* award attorneys' fees where the case is novel or close." Pet. App. 18a (citing *Canal+*, 792 F. Supp. 2d at 683). It is like crediting Goliath for giving a shepherd a shot at fortune and fame.

It might be sensible for a court in a given case merely to consider whether a fee award to a defendant would chill meritorious cases. *E.g.*, *Fogerty II*, 94 F.3d at 560 (noting that under the purposes-of-the-Act standard a court may consider "the chilling effect of attorney's fees ... on an impecunious plaintiff"); *see infra* 48-50. Every fee award should be evaluated in terms of the litigation incentives at play on both sides in any particular litigation. But the Second Circuit in *Matthew Bender* stretched this bit of sense, potentially applicable in some cases, into a

presumption that applies *in all cases*—which makes no sense. The same incentives do not apply in every case. It is easy to see how the potential to chill a claim could be anywhere from meaningless to dispositive depending on other relevant factors.

What if a win is extremely valuable to the plaintiff? Suppose, for example, a win promised a huge damages award, or perhaps that it carried some legal significance important to the plaintiff's business model. Then the risk of a fee award in the event of a loss would be swamped by the promise of success (and, indeed, the potential promise of *receiving* fees). *See FM Indus., Inc. v. Citicorp Credit Servs., Inc.*, 614 F.3d 335, 339-40 (7th Cir. 2010) ("Damages and equitable relief encourage copyright proprietors to enforce their rights, whether or not they get attorneys' fees too."). Or what if the plaintiff enjoys a huge advantage in sophistication and resources over the defendant? Then—whether its claim is solid but not clearly meritorious, or just marginal—the plaintiff would be undeterred, confident that the defendant is likely to capitulate and settle.[4]

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[4] Wiley is familiar with such dynamics. *See, e.g.*, Complaint, *John Wiley & Sons, Inc. v. John Doe Nos. 1-44*, No. 12-CV-1568, 2012 WL 870299 (S.D.N.Y. 2012); Amended Complaint, *John Wiley & Sons, Inc. v. Ng*, No. 11-Civ-7627 (WHP), 2012 WL 1611326 (S.D.N.Y. 2012); Complaint, *John Wiley & Sons, Inc. v. John Doe Nos. 1-21*, No. 12-CV-4730, 2012 WL 2566389 (S.D.N.Y. 2012); Complaint, *John Wiley & Sons, Inc. v. John Doe Nos. 1-35*, No. 12-CV-2968, 2012 WL 1389735 (S.D.N.Y. 2012); Complaint, *John Wiley & Sons, Inc. v. John Doe Nos. 1-30*, No. 12-CV-3782, 2012 WL 1834871 (S.D.N.Y. 2012); Amended Complaint, *John Wiley & Sons, Inc. v. Williams*, No. 12-Civ-0079 (PKC), 2012 WL 3019463 (S.D.N.Y. 2012); Amended Complaint,

Conversely, what about what is at stake for the defendant? In many cases, it could be nothing other than avoiding a damage award. *See id.* ("A defendant who prevails ... vindicates the public's interest ..., but without an award of fees the prevailing defendant has only losses to show for the litigation."). And the greater its potential exposure—say, to statutory damages, or a willfulness finding if its legal defense fails—the more pressure there is on the defendant to "throw in the towel." *Assessment Techs. of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 437 (7th Cir. 2004). The need to encourage such a defendant will often outweigh the need to avoid chilling the plaintiff. Not always, not as a rule, *see infra* 50-52, but often enough that the Second Circuit's presumption will frequently botch the balancing.

This is a case in point. Wiley, with its warchest, army of lawyers, and what seemed to be a strong case on an issue worth a lot of money could plow ahead without regard to the prospect of having to pay attorney's fees, especially if it strategically chose a weak and impecunious defendant who was unlikely to retain a high-priced lawyer. The upside of establishing the legal rule Wiley sought outweighed the prospect of a fee award by several orders of magnitude. On the other hand, for an individual of modest means confronting a multinational corporation with a position anywhere from solid to marginal, the prospect of having to pay attorney's fees might be decisive. Any consideration of the incentive structure has to entail a nuanced balancing of the strength of

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John Wiley & Sons, Inc. v. Shumacher, No. 109-CV-02108, 2009 WL 3219590 (S.D.N.Y. 2009).

the claim, the cost of litigating it, and the potential recovery in the event of victory as well. That is fundamentally a case-by-case inquiry that should not be taken away from the district court by way of a one-size-fits-all test.

Because it pretermits that inquiry, the Second Circuit standard will inevitably prove an awful proxy for the claims and defenses Congress wanted to encourage. There is simply no reason to believe that meritorious claims or defenses are, as a rule, less worthy of encouragement when the losing party's position happens not to be totally ridiculous. In fact, close cases presenting novel issues may well be the best chance of advancing the purposes of the Copyright Act. And the parties in those cases may be the most in need of encouragement, since such cases present the greatest uncertainty, and hence highest risk. If Congress thought otherwise, it would have said so.

As we explain below (at 37-41), a far better proxy for congressional intent is the nature and effect of the claims and defenses themselves. Is the prevailing party's position the sort Congress wanted to encourage—that is, a win that advances the Act's purposes—or is it a minor triumph based on, say, localized facts or a technicality? If the result serves the Act's purposes, the prevailing party will have a solid foundation for a fee request, subject, of course, to the particular dynamics presented in that case. *Infra* § III.

D. *Martin v. Franklin Capital Corp.* does not support an objective reasonableness standard.

This Court's holding in *Martin v. Franklin Capital Corp.*, 546 U.S. 132 (2005), does not support the Second Circuit standard—and indeed, neither Wiley nor any court has ever suggested otherwise. Because it construes a fee-shifting provision with similar wording, however, we discuss it for the sake of completeness. *Martin* concerned 28 U.S.C. § 1447(c), which provides that district courts, when issuing remand orders for cases improperly removed from state court, "may require payment of just costs ... including attorney fees, incurred as a result of the removal." *Id.* at 134. Looking to the "large objectives" of the removal statute, this Court held that "[a]bsent unusual circumstances, courts may award attorney's fees under § 1447(c) only where the removing party lacked an objectively reasonable basis for seeking removal." *Id.* at 141.

Despite the similarities in the text, the distinction in purpose makes all the difference. Section 1447 focuses on a narrow, recurring issue: the propriety of a defendant's removal of a civil action from state court under 28 U.S.C. § 1447(a). The incentives Congress was considering were thus focused on one type of party and were entirely predictable. On the one hand, as the Court recognized, the point of § 1447(a) is to permit a defendant to remove a case if it wishes to, *Martin*, 546 U.S. at 140; on the other, a defendant could potentially use removal "as a method for delaying litigation and imposing costs on the plaintiff," *id.* The availability of fee awards under

§ 1447(c) is a mechanism to discourage removals taken for an improper purpose, without over-deterring litigants with a proper basis for removal. *Id.*

Section 505's aims are different and far broader. They focus, as *Fogerty* explains, not narrowly on one type of party raising one type of argument, but on all parties raising all manner of different claims and defenses under an Act that has an animating rationale all its own. To the extent *Martin* illuminates this case at all, it merely confirms that when a fee provision is otherwise silent as to its substantive standard, the standard must be set in a way that is sensitive to the "large objectives" of the relevant law. *Id.* at 141. This Court reasoned just so in *Fogerty* itself, where it declined to apply to § 505 the same substantive standard that applies to Title VII's fee-shifting statute. 510 U.S. at 520-25. All three provisions grant similarly flexible discretion, but because the "large objectives" of the relevant laws are different, the substantive standard guiding the discretion in § 1447(c) is different from that guiding § 505, which in turn is different from that guiding Title VII's fee provision.

III. A Fee Award Under § 505 Is Appropriate Where The Result Advances The Purposes Of The Copyright Act.

This Court should hold, as the Ninth and Eleventh Circuits do, that a fee award under § 505 is ordinarily appropriate where the prevailing party achieved a result that advanced the purposes of the Copyright Act—that is, advanced the goals of creation and dissemination of creative works. *See Fogerty II*,

94 F.3d at 555 ("[A]ttorney's fee awards to prevailing defendants are within the district court's discretion if they further the purposes of the Copyright Act and are evenhandedly applied."); *MiTek Holdings Inc. v. Arce Eng'g Co.*, 198 F.3d at 842-43 ("The touchstone of attorney's fees under § 505 is whether imposition of attorney's fees will further the interests of the Copyright Act, i.e., by encouraging the raising of objectively reasonable claims and defenses, which may serve not only to deter infringement but also to ensure 'that the boundaries of copyright law [are] demarcated as clearly as possible.'").

In evaluating a fee request under this standard, a district court should ask whether the result directly promotes these goals or meaningfully clarifies the Act's substantive provisions in a way that serves them. If so, the prevailing party will ordinarily have a basis for a discretionary fee award. The extent to which the result advances the Act's ends will vary from case to case. And the ultimate determination must be based on the totality of the circumstances, taking into account any equitable factors that are relevant and remaining at all times "faithful to the purposes of the Copyright Act." *Fogerty*, 510 U.S. at 534 n.19.

A. Section 505 must be applied evenhandedly to encourage meritorious claims and defenses that serve the "large objectives" of the Act.

1. The purposes-of-the-Act standard properly focuses on whether the result advanced the Act's twin goals of creation and dissemination.

"[C]opyright law serves public ends by providing individuals with an incentive to pursue private ones." *Eldred v. Ashcroft*, 537 U.S. 186, 212 n.18 (2003). By definition, it exists "[t]o promote the Progress of Science and useful Arts." U.S. Const. art. I, § 8, cl. 8. As explained in *Fogerty*, "copyright law ultimately serves the purpose of enriching the general public through access to creative works." 510 U.S. at 527. But underlying the Copyright Act "is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors." *Mazer v. Stein*, 347 U.S. 201, 219 (1954). So the system works by balancing sometimes competing interests. On the one hand, it grants authors an entitlement—designed to encourage creation, for public benefit. On the other hand, it imposes limits on that entitlement—so as to enable dissemination, again for public benefit.

Meritorious copyright litigation can further the purposes of the Act in several related ways. It may do so directly, by resolving the parties' private dispute, where the result vindicates the proper level of copyright protection for particular works. If the cop-

yright holder earns a substantive win, the result establishes her right to profit, rewarding her creativity and reinforcing the incentive to create. *Eldred*, 537 U.S. at 785 n.18 ("[C]opyright law *celebrates* the profit motive, recognizing that the incentive to profit ... will redound to the public benefit by resulting in the proliferation of knowledge." (emphasis in original; quotation marks omitted)). If the accused infringer wins, the result clears the path to dissemination for the work, enlarging the public's entitlements with respect to creative work and encouraging the creation of more of it. *Fogerty*, 510 U.S. at 527 (explaining that Fogerty's defense "increased public exposure to a musical work that could, as a result, lead to further creative pieces"); *FM Indus., Inc.*, 614 F.3d at 339-40 ("A defendant who prevails in copyright litigation vindicates the public's interest in the use of intellectual property."). Both results, depending on the particulars of the case, may directly advance the Act's goals.

It is no surprise that Congress would want to encourage such outcomes. Because the copyright law's private entitlements ultimately serve public ends, *Fogerty*, 510 U.S. at 527, the impact of a substantive result goes beyond the private squabble. In the resolution of, say, a high-stakes contract dispute, the public stands to gain nothing. But in the copyright context, the public has an unusually high interest, too. *See Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) (describing copyright law as "a balance of competing claims upon the public interest"). A meritorious claim informs would-be creators that their rights are enforceable and deters future

infringement; a meritorious defense, meanwhile, redounds to the public in the form of increased access to creative works.

The inverse is equally true—the decision not to litigate meritorious claims and defenses harms the copyright system as a whole, and hence the public. In the context of a high-stakes contract dispute, the public typically suffers little (and may well benefit) from a decision not to litigate. But when litigation becomes too costly for a copyright plaintiff to advance a meritorious claim, the Act's incentives depreciate. Similarly, if a defendant cannot afford to advance a meritorious defense and instead avoids litigation through an unnecessary license or nuisance settlement, it is not just that defendant who is out of pocket—the public loses, too, because the public's entitlement is artificially constricted.

A substantive copyright win will also advance the purposes of the Copyright Act by clarifying the Act's substantive contours. Again, this benefit is integral to the copyright law's public objectives. As *Fogerty* emphasized, "[b]ecause copyright law ultimately serves the purpose of enriching the general public through access to creative works, it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible." 510 U.S. at 527

Demarcation can come in different ways. One is through litigation that, in one fell swoop, settles the interpretation of the Copyright Act's substantive provisions. *E.g.*, *Am. Broad. Cos., Inc. v. Aereo, Inc.*, 134 S. Ct. 2498 (2014); *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005); *Sony Corp. of Am. v.*

Universal City Studios, Inc., 464 U.S. 417 (1984). This case, of course, is a paradigmatic example—the result Kirtsaeng achieved through his efforts established the law of the land for a massively important issue concerning the limits of the Copyright Act. *Supra* 9-10. But just as often, "the process of demarcation occurs ... through repeated litigation of difficult issues." Peter Jaszi, *505 and All That—The Defendant's Dilemma*, 55 Law & Contemp. Probs. 107, 112 (1992); *e.g.*, U.S. Copyright Office, U.S. Copyright Office Fair Use Index, http://copyright.gov/fair-use. In either instance, prevailing norms are established only when prevailing parties have litigated them to judgment. "Settlements, whatever their value to the immediate parties, do not benefit the public at large by helping to mark the outer contours of copyright protection." *Id.*

Given what this Court said in *Fogerty*, all of the above should at this point be uncontroversial. The question becomes how to define a fee standard that serves the statute's ends. There is no simpler way to do so, no more obvious standard for achieving that goal, than a standard aimed directly at the Copyright Act's purposes: An award under § 505 is generally appropriate where the result the prevailing party achieved is of the sort Congress sought to encourage, i.e., the sort that furthers the purposes of the Act. Accordingly. in applying § 505, a court should ask whether the prevailing party's position either directly advanced the Copyright Act's goals by protecting incentives or promoting dissemination, or meaningfully clarified the Act's substantive contours. If so—and subject, of course, to the particulars of each

case—the prevailing party ordinarily will have established a basis for a discretionary fee award.

2. The extent to which a result advances the Act's substantive goals is a case-by-case determination.

To be clear: Under the proposed standard, not every win will automatically advance the purposes of the Copyright Act. There is no per se rule, presumption, or one-size-fits-all prescription. The standard is simply a way of focusing discretion. As such, it leaves the district court in a particular case free to decide the extent to which a particular result has directly advanced the Act's goals or clarified its contours, as well as the weight that result should be accorded in the analysis. Nevertheless, it would help the district courts immensely—and yield greater uniformity across like cases—if this Court were to address how a purposes-of-the-Act standard might view basic categories of results. *See, e.g.*, Jaszi, *supra*, at 122-26 (proposing a taxonomy of copyright defenses that might further the Act's purposes). The truth is some wins are better than others.

a. The cases most deserving of fees are likely those with results of seismic significance, such as the cases that determine the course of entire industries or classes of disputes. This Court's decisions are natural candidates—the *Aereos*, *Eldreds*, *Sonys*, and *Campbells*—but a result need not settle the law of the land to weigh heavily in favor of a fee award.

Mattel, Inc. v. MGA Entertainment, Inc., is instructive. Mattel sued MGA alleging that it owned

certain drawings and sculpts of "Bratz" dolls, and that the dolls MGA was selling infringed. 616 F.3d 904, 911 (9th Cir. 2010). Mattel won, but on appeal, the Ninth Circuit reversed the district court for granting overbroad copyright protection to the sculpt and for failing to filter out unprotectable elements of the drawings—holding essentially that Mattel was trying to lay claim to just about any doll with certain standard features. *Id.* at 914-16. The court of appeals remanded, and this time MGA won. The district court awarded MGA its attorney's fees under § 505. An award was appropriate, in its view, because MGA had advanced the purposes of the Act. By refusing to throw in the towel, "MGA [had] secured the public's interest in a robust market." *Mattel, Inc. v. MGA Entm't, Inc.*, No. CV 04-9049, 2011 WL 3420603, at *2 (C.D. Cal. Aug. 4, 2011). It had also clarified the Act's substantive contours: "MGA's contribution to the state of the law in the field of copyright ... cannot be understated; its failure to vigorously defend against Mattel's claims could have ushered in a new era of copyright litigation aimed not at promoting expression but at stifling ... competition." *Id.* The Ninth Circuit properly affirmed the award over the plaintiffs' insistence that the objective reasonableness of its claims foreclosed it. *Mattel, Inc. v. MGA Entm't, Inc.*, 705 F.3d 1108 (9th Cir. 2013).

Likewise on the more deserving end of the spectrum are various kinds of cases where the plaintiff or defendant succeeds in resolving some substantive question of broad applicability. Examples include the scope of copyright protection for a category of protected works, 17 U.S.C. §§ 101-02, the boundaries of

the exclusive rights, 17 U.S.C. § 106, or the availability of certain remedies (statutory damages, laches, etc.). Resolution of these sorts of issues will almost certainly have a direct impact on creative incentives or the scope of the public's entitlements with respect to creative works.

This case represents a paradigmatic example of a copyright win that advances the purposes of the Act in spades. Wiley and its fellow textbook publishers had aggressively advanced the position that the first sale doctrine did not apply to foreign-created copies—largely against specially selected individuals with limited means to fight back. *Supra* 6 & n.1. Before he was a prevailing party, Kirtsaeng litigated and lost, litigated and lost, and then finally litigated a third time—successfully—before a Supreme Court that had split 4-4 on the issue just a few years prior. This Court's opinion in Kirtsaeng's favor laid bare the extraordinary importance of its decision to various constituencies. Had Kirtsaeng given up at any point, the "disruptive impact [on those constituencies] of the threat of infringement suits," Pet. App. 55a, would have persisted.

Despite that, everything the courts below said about the matter is captured in the district court's 12 words: "[I]t is true that this litigation clarified the boundaries of copyright law." Pet. App. 18a. The Court of Appeals did not even mention it. *See supra* 10-11.

b. On the other side of the spectrum are claims or defenses with more localized significance. It may be that a plaintiff, in establishing substantial similarity

or defeating a fair use defense, for example, has meaningfully deterred infringement in a particular industry. One might imagine, for example, that the *Mattel* case just discussed would be an example had it come out the other way. Or it may be that the case involves nothing more than the application of settled law to a private dispute. The extent to which the result advances the Act's ends will likely depend on the scope of the court's decision on the merits, the identity of the parties, the nature of the work, the norms of the industry, and other factors peculiar to the case at hand.

Finally, there are marginal cases concerning, for example, copyright formalities or dispositive, non-copyright doctrine such as res judicata that seem unlikely to warrant a fee award to the prevailing party. *See Fogerty II*, 94 F.3d at 556 (suggesting lesser weight for "a technical defense such as the statute of limitations, laches, or the copyright registration requirements"). In such cases, one would expect that a stronger showing on other equitable factors would be required to justify a favorable exercise of discretion.

All of this ends, of course, where it started: There is no formula, no rigid rule, for applying the purposes-of-the-Act standard. In each case, the prevailing party will have to demonstrate how his position advanced copyright objectives, and the district court will have to weigh competing factors, with no thumb pressing artificially on either side of the scale.

B. A purposes-of-the-Act standard channels discretion without constraining it.

In determining the ultimate appropriateness of a fee award, a district court may, and indeed should, consider any equitable factor that is "faithful to the purposes of the Copyright Act," *Fogerty*, 510 U.S. at 534 n.19. The purposes-of-the-Act standard in no way limits district court discretion to do so.

1. Case law from the Ninth and Eleventh Circuits applying the purposes-of-the-Act standard confirms that the standard has not been applied to restrict district court discretion or artificially mandate a particular conclusion. If anything, it has been applied to *expand* the universe of relevant considerations, to reject resort to bright-line rules, and to ensure that "each case will turn on its own particular facts and equities," *Fogerty II*, 94 F.3d at 560.

Consider the treatment of *Fogerty* on remand. Plaintiff Fantasy, Inc. sued defendant Fogerty alleging that his song "The Old Man Down the Road" infringed another song (oddly, another song *he* had written earlier in his career but for which Fantasy owned the rights). *Id.* at 555. After this Court scuttled the dual standard, which the lower courts had applied to deny Fogerty his fees, the district court reexamined the matter and granted Fogerty's fee request. *Id.* at 556. It based this decision on several factors:

- It considered the effect of Fogerty's victory: He had "secured the public's access to an original work of authorship and paved the way for

future original compositions ... in [that] style and genre." *Id.* at 556.

- It analyzed the type of victory under the Act: "on the merits, rather than on a technical defense such as the statute of limitations, laches, or the copyright registration requirements." *Id.*

- It compared the stakes and cost of the lawsuit: "[T]he benefit conferred by Fogerty's successful defense was not slight or insubstantial relative to the costs of litigation." *Id.*

- It weighed incentives: "[N]or would the fee award have too great a chilling effect or impose an inequitable burden on Fantasy, which was not an impecunious plaintiff." *Id.*

- It also addressed fairness considerations: An award would "help restore to Fogerty some of the lost value of the copyright he was forced to defend." *Id.*

In its appeal to the Ninth Circuit, Fantasy "contend[ed] that the district court had no discretion to award fees ... because Fantasy conducted a 'good faith' and 'faultless' lawsuit upon reasonable factual and legal grounds." *Id.* at 556. The Ninth Circuit rejected that argument, and endorsed the district court's analysis. Its list of relevant considerations was capacious indeed. It did not at all reject the *Fogerty* footnote's factors—it specifically stated that a court could consider "culpability" but that it was not a "prerequisite to awarding fees." *Id.* at 558. Neither

did it endow a prevailing party's substantive victory with greater weight or centrality—it was careful to reject any such notion and to stress that courts should be sensitive to the sorts of considerations the district court had considered. *Id.* The Ninth Circuit's ruling thus reflects the proper mode of analysis under § 505.

MiTek Holdings, an Eleventh Circuit case, similarly illustrates how the purposes-of-the-Act standard at once broadens relevant considerations while channeling them towards the Act's purposes. 198 F.3d 840. In that case, the defendant prevailed and the district court awarded fees. *Id.* at 841. But its analysis was peculiarly narrow: It simply compared "the relative abilities of the different parties to pay for the requested attorney's fees," found that the plaintiff "appear[s] to be more than capable of funding an award," and thus found the "considerations of compensation tip the balance in favor of an award." *Id.*

The Eleventh Circuit reversed. It acknowledged that "compensation may, in appropriate cases, be considered"—just as *Fogerty*'s footnote says. *Id.* at 842. But it was not to be considered in the abstract; "in determining whether to award attorney's fees under § 505, the district court should consider not whether the losing party can afford to pay the fees but whether imposition of fees will further the goals of the Copyright Act." *Id.* at 843. The "touchstone," the Court explained, is "encouraging the raising of objectively reasonable claims and defenses." *Id.* at 842. It thus vacated and remanded for a more finely tuned evaluation consistent with that focus. *Id.*

2. Properly understood and applied, the purposes-of-the-Act standard is not a factor unto itself or a requirement that particular factors be applied or credited. It is a polestar that guides the application of the factors as a whole, ensuring that they remain "faithful to the purposes of the Copyright Act." *Fogerty*, 510 U.S. at 534 & n.19. Again, it is nearly impossible to identify in the abstract what factors might be relevant in a given case. *See Octane Fitness*, 134 S. Ct. at 1756 (explaining that applying the substantive exceptional case standard requires a "case-by-case exercise of ... discretion" based on "the totality of the circumstances"). As the above discussion suggests, certain kinds of considerations will tend naturally to be relevant to the inquiry:

Nature and quality of result. To begin with, many of the factors likely to be relevant will go towards assessing whether the result advanced copyright goals. As described above (at 41-44), a court will necessarily need to consider, for example, the extent to which the result settles a point of law, deters widespread infringement, or releases works into the public domain. Similarly, in many cases a court will likely have to consider the nature and magnitude of the specific relief obtained. *E.g.*, *Omega S.A. v. Costco Wholesale Corp.*, 776 F.3d 692, 695-96 (9th Cir. 2015) (identifying "degree of success obtained" in list of considerations).

Strength of substantive positions. Courts may also in many cases find the strength of each party's substantive position relevant. To start with the losing party, *Fogerty*'s footnote specifically includes "frivolousness" and "objective unreasonableness (both

in the factual and in the legal components of the case)" in its nonexclusive list of potentially relevant considerations. *Fogerty*, 510 U.S. at 534 n.19 (quoting *Lieb*, 788 F.2d at 156). Certainly where the losing party has advanced frivolous positions, a fee award has traditionally been and will continue to be appropriate. *E.g.*, *Twentieth Century Fox Film Corp. v. Entm't Distrib.*, 429 F.3d 869, 875 (9th Cir. 2005).

The position of the prevailing party at the start of the litigation is also relevant. Think of it as a degree-of-difficulty factor. A party who overcame a large body of precedent, or who won a case that others had lost, could properly be viewed as more worthy of fees than a party who had the wind at his back.

Motivation. Also relevant will be the parties' motivations, another *Fogerty* factor, 510 U.S. at 534 n.19. *E.g.*, *Twentieth Century Fox*, 429 F.3d at 875 (noting "bad faith" motivation). This factor permits courts to evaluate whether a party's conduct suggests the earnest desire to protect its interests, or instead a more abusive end, such as using costly litigation to create a barrier to entry for an upstart competitor, *e.g.*, *Octane Fitness*, 134 S. Ct. at 1754-55 & n.4, or seeking a nuisance settlement.

Litigation incentives. Courts should ordinarily consider the full range of litigation incentives in deciding whether a fee award will ultimately advance the goals of copyright law. *Supra* 30-33. For example, in considering whether a fee award would unduly chill future good-faith claims, a court may consider the availability of a damage award or valuable injunctive relief, which might overcome the risk of an adverse

fee award. *Assessment Techs.*, 361 F.3d at 436. Conversely, the prospect of a huge damages award could lead many defendants to abandon meritorious defenses, and the availability of fees may spell the difference between throwing in the towel and damning the torpedoes.

Relative resources. The relative resources of the parties may also be relevant. A court may determine, for example, that a plaintiff or defendant who has faced down a sophisticated, moneyed adversary is more deserving of fees, since such parties will ordinarily confront extreme pressure to settle rather than battle a juggernaut.

A district court may properly consider each of these factors, and potentially more in light of case-specific considerations, in making a case-by-case attorney's fees determination under § 505.

IV Other Standards Applied By The Courts Of Appeals Are Less Suitable.

The courts of appeals have adopted two other standards. Neither is quite as flawed as the Second Circuit standard, but neither can match the purposes-of-the-Act standard in its faithfulness to both the text of § 505 and the large objectives of the Act.

A. The Fifth and Seventh Circuits improperly presume the prevailing party's entitlement to fees.

Both the Fifth Circuit and Seventh Circuit have adopted a strong presumption that the prevailing

party is entitled to fees. The Fifth Circuit has held that "[a]lthough attorney's fees are awarded in the trial court's discretion [in copyright cases], they are the rule rather than the exception and should be awarded routinely." *Hogan Sys., Inc. v. Cybresource Int'l, Inc.*, 158 F.3d 319, 325 (5th Cir. 1998). Meanwhile, the Seventh Circuit has adopted an array of presumptions based on likely party incentives in certain types of cases. It has said that "[t]he presumption in a copyright case is that the prevailing party ... receives an award of fees." *Eagle Servs. Corp. v. H2O Indus. Servs., Inc.*, 532 F.3d 620, 625 (7th Cir. 2008). It has also said "by way of refinement of the *Fogerty* standard, that the prevailing party in a copyright case in which the monetary stakes are small should have a presumptive entitlement to an award of attorneys' fees." *Assessment Techs.*, 361 F.3d at 437 And as a corollary to this presumption, it holds that "[w]hen the prevailing party is the defendant, who by definition receives not a small award but no award, the presumption in favor of awarding fees is very strong." *Id.*

The Fifth Circuit standard is undoubtedly even-handed, and it properly recognizes that § 505 is not reserved for the "exceptional case." Meanwhile, the Seventh Circuit is right in theory to focus on the parties' relative incentives, rather than defaulting, as the Second Circuit does, to a view of incentives that inherently favors plaintiffs. Presumptions like these are nevertheless inconsistent with *Fogerty*'s admonition that fees should not be awarded as a matter of course, as well as this Court's more recent reaffirmation in *Octane Fitness* that the fee inquiry is inherently a case-by-case determination. This Court should

therefore reject the Fifth and Seventh Circuit approaches.

B. The Third, Fourth, and Sixth Circuits' standard is rudderless and will lead to inconsistent results.

Finally, the Third, Fourth, and Sixth Circuits call for an unguided consideration of all relevant factors. *Lieb*, 788 F.2d at 156 (identifying four factors cited in *Fogerty*); *Bond v. Blum*, 317 F.3d 385, 397 (4th Cir. 2003) (endorsing use of *Fogerty* factors as well as "any other relevant factor presented"); *Thoroughbred Software Int'l, Inc. v. Dice Corp.*, 488 F.3d 352, 361 (6th Cir. 2007) ("This Court uses [the] four non-exclusive [*Fogerty*] factors ...."). This standard is not so much wrong as it is incomplete. We agree, as we have said (at 48-50), that courts should consider any equitable factor that may be relevant to the inquiry. *Fogerty* says as much. 510 U.S. at 534 n.19. But *Fogerty* also directs courts to apply those factors "in light of the considerations ... identified" elsewhere in the opinion, and to be "faithful to the purposes of the Copyright Act." *Id.* at 534 & n.19 (quotation marks omitted).

Section 505's discretion is best exercised with that touchstone in mind. Indeed, in circuits where there is no such reference point, courts tend simply to march through the factors listed in *Fogerty*'s footnote 19 without considering any additional factors that may be related to the purposes of the Act. A substantive standard explicitly tied to advancement of the objectives of the Copyright Act will ensure that courts in making attorney's fees determinations adhere to

the purposes of the Copyright Act, and will discourage "different results ... in situations that cannot be differentiated in policy," *Albemarle Paper Co.*, 422 U.S. at 417

CONCLUSION

This Court should reverse the judgment of the court of appeals.

Respectfully submitted,

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IN THE
Supreme Court of the United States

SUPAP KIRTSAENG DBA BLUECHRISTINE99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

On Writ Of Certiorari To The
United States Court Of Appeals
For The Second Circuit

BRIEF OF RESPONDENT

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QUESTION PRESENTED

Under Section 505 of the Copyright Act, "the court may award a reasonable attorney's fee to the prevailing party as part of the costs." 17 U.S.C. § 505. In *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994), this Court identified a handful of non-exclusive factors that district courts could consider when determining whether fees should be awarded. Key among those factors, this Court indicated, was whether a losing party's position was objectively reasonable. *Fogerty* further recognized that the settled practice under the materially identical fee provision of the 1909 Copyright Act was typically not to award fees where the losing party had taken a reasonable position.

The question presented is whether the Second Circuit nonetheless violates § 505 by requiring district courts to consider all the factors this Court identified in *Fogerty* as well as any other relevant considerations, and to give substantial weight to the objective reasonableness of the losing party's position as part of that totality-of-the-circumstances analysis.

RULE 29.6 STATEMENT

John Wiley & Sons, Inc. has no parent company, and no other publicly held company owns 10% or more of its stock.

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INTRODUCTION

The copyright action brought by John Wiley & Sons, Inc. (Wiley) was the epitome of an objectively reasonable suit. Not only did Wiley prevail against Supap Kirtsaeng before the district court and Court of Appeals, but this Court had deadlocked 4-4 in a previous case on the very question of copyright law that was at the heart of Wiley's suit.

When Wiley ultimately lost in a divided decision by this Court, Kirtsaeng and his lawyers moved for over $2 million in attorney's fees. The district court denied that request. In a 20-page opinion, it held that every conceivable consideration counseled against awarding fees. Among those considerations was the fact that Wiley's merits position was objectively reasonable, a factor that was accorded substantial weight under circuit precedent.

Kirtsaeng contends that the district court was wrong to give substantial weight to the objective reasonableness of Wiley's infringement claim. But Kirtsaeng gets the law precisely backwards. For over one hundred years, objective reasonableness has been at the heart of copyright fee award determinations, and Congress intended to continue that practice under the modern fee award statute.

Moreover, as Kirtsaeng is forced to acknowledge, this Court held in *Fogerty v. Fantasy, Inc.*, that attorney's fees should be awarded in a manner that *encourages* the clarification of copyright law. 510 U.S. 517, 527 (1994). Giving substantial weight to objective

reasonableness of the losing party's position serves that goal perfectly because it encourages parties to litigate the close and difficult questions of copyright law where clarification is needed the most. Conversely, attorney's fees likely *are* appropriate where a party persists in litigating a weak copyright claim or defense. In those cases, the law is already clear, and fees appropriately serve to deter weak arguments and to compensate prevailing parties for the cost of meritless litigation.

Instead of looking to objective reasonableness, Kirtsaeng offers this Court an ill-defined and self-serving rule that would give primacy to the "importance" of the copyright issue in the case. But by awarding fees against a party whose objectively reasonable claims present an important, unresolved issue of copyright law, Kirtsaeng's rule perversely discourages that important issue from being litigated in the first place.

The remainder of Kirtsaeng's brief amounts to an extended plea that Kirtsaeng deserves fees because he was a "bit player" who "f[ou]ght" a supposed "copyright goliath" with a "warchest" and "army of lawyers." Kirtsaeng offered the same hyperbolic rhetoric to the district court, and a reader of Kirtsaeng's brief to this Court might be forgiven for thinking that the district court ignored these considerations in its single-minded focus on the objective reasonableness of Wiley's merits position. Indeed, Kirtsaeng prominently criticizes the district court for "devot[ing] less than a sentence to Kirtsaeng's substantive positions, the result he obtained, the

victory's wide-ranging impact, and the financial imbalance he confronted." Br. of Pet'r 3.

All of that is simply false. The district court devoted nearly a *dozen* pages to discussing factors other than objective reasonableness, and it found them wanting. For example, although the district court recognized that there could well be cases in which the need to compensate a prevailing party would outweigh the fact the losing party had an objectively reasonable position, this was not one of those cases. Kirtsaeng's victory preserved his million dollar arbitrage business, and he had no obligation whatsoever to pay the Supreme Court counsel who represented him even as they racked up millions of dollars in fees.

Kirtsaeng opens his brief by asking "[i]f not [me], then who?" Br. of Pet'r 2. The answer is the many litigants who prevailed against unreasonable positions or for whom an award of fees would otherwise serve the goals of the Copyright Act. Kirtsaeng is not one of those litigants, and an award of fees against Wiley would disserve the goals of the Copyright Act. The district court was therefore entirely correct to conclude that no fee award was justified, particularly in light of the reasonableness of Wiley's position, but also given the other factors considered and the absence of any other countervailing consideration. The Court of Appeals found no abuse of discretion by the district court, and that judgment should be affirmed.

STATEMENT

A. Kirtsaeng's Successful Textbook Arbitrage Business.

In 1997, Supap Kirtsaeng moved from his native Thailand to the United States to study mathematics at Cornell University. *See Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1356 (2013) (*Kirtsaeng I*), Pet. App. 34a. During his years as a student in the United States – both at Cornell and later at the University of Southern California – Kirtsaeng operated a highly remunerative academic textbook arbitrage business. *See id.* Taking advantage of the fact that market forces dictated that publishers, including Wiley, sell English-language textbooks made from less expensive materials in foreign countries for lower prices than the textbooks that were manufactured and sold in the United States, Kirtsaeng instructed his friends and family to purchase copies of foreign edition English-language textbooks in Thai bookshops and mail them to him in the United States. *Id.* Kirtsaeng then sold these Thai-purchased textbooks in the United States at prices substantially greater than their original purchase prices but below their list price in the United States. *Id.*

Kirtsaeng admitted that he collected approximately $900,000 in revenue from selling foreign-made textbooks produced by respondent and other publishers, Pet. App. 123a-124a, and documents subpoenaed from PayPal – an online payment processor – revealed that Kirtsaeng actually collected nearly $1.2

million between early 2005 and early 2009, JA 123. The exact amount of Kirtsaeng's profits from his arbitrage business is unknown, although Kirtsaeng was able to remit nearly $200,000 to a foreign account after he was sued, as discussed below.

B. After Kirtsaeng Is Sued For Copyright Infringement, Kirtsaeng Transfers Assets Out of the Country, Is Found Liable, and Leaves The Country Himself.

In 2008, Wiley brought suit alleging that Kirtsaeng's unauthorized importation and resale of its textbooks infringed two provisions of the Copyright Act: 17 U.S.C. § 106(3)'s protection of respondent's exclusive right to distribute the copyrighted works it owns, and 17 U.S.C. § 602's related prohibition on the unauthorized importation of those works. *See* Pet. App. 35a (quotation marks omitted).

In response, Kirtsaeng invoked the "first sale" doctrine, which provides that notwithstanding the exclusive distribution right protected in § 106(3), "the owner of a particular copy or phonorecord lawfully made under this title is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." 17 U.S.C. § 109(a). Claiming that the textbooks he was selling were "lawfully made under this title" and legitimately acquired, Kirtsaeng argued that the "first sale" doctrine permitted him to resell the textbooks without the copyright owners' permission. Pet. App. 35a. During this time Kirtsaeng also withdrew

$188,100.00 from a domestic account and transferred it to a foreign account. JA 124.

The United State District Court for the Southern District of New York rejected Kirtsaeng's argument. *See John Wiley & Sons, Inc. v. Kirtsaeng*, No. A. 08 Civ. 7834, 2009 WL 3364037, at *10 (S.D.N.Y. Oct. 19, 2009), Pet. App. 183a-186a. Examining the text and context of the Copyright Act, the relevant legislative history, public policy implications, and this Court's decision in *Quality King Distributors, Inc. v. L'anza Research International, Inc.*, 523 U.S. 135 (1998), the district court held the first sale doctrine did not permit the resale of foreign-manufactured goods. Pet. App. 168a-182a. After a two-day trial, a jury found that Kirtsaeng had willfully infringed respondent's American copyrights and awarded $600,000 in statutory damages. *See Id.* at 35a. Wiley did not move for attorney's fees as a prevailing party.

After the judgment was entered, Kirtsaeng left the United States and returned to Thailand having not satisfied any of the award against him. JA 108.

C. The Second Circuit Affirms The Judgment After This Court Splits 4-4 On The First Sale Doctrine Question.

The United States Court of Appeals for the Second Circuit affirmed. *See John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 224 (2d Cir. 2011), Pet. App.

145a.[1] As regards the application of the first sale doctrine to foreign-manufactured works, the Second Circuit noted that this Court had split 4-4 (with Justice Kagan recused) when presented with that very question the previous term. *See* Pet. App. 132a (citing *Costco Wholesale Corp. v. Omega S.A.*, 562 U.S. 40 (2010)).

Looking first at § 109(a) on its face, the Second Circuit found the statutory text "utterly ambiguous," neither foreclosing nor compelling an extraterritorial application. Pet. App. 137a. Faced with statutory ambiguity, the Second Circuit interpreted § 109(a) in the manner it believed most consistent with § 602(a)(1) and this Court's decision in *Quality King*. *See id.* The Second Circuit reasoned that § 602(a)(1)'s prohibition on the unauthorized importation into the United States of copyrighted works produced abroad "would have no force in the vast majority of cases" if the first sale doctrine was interpreted to protect the subsequent resale of copyrighted works purchased abroad. *Id.* at 137a-138a.

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[1] In addition to determining that the first sale doctrine was inapplicable to foreign-manufactured works, the Second Circuit also held that the jury had been correctly instructed and that the district court had not erred in introducing evidence of the gross revenues Kirtsaeng had earned from his arbitrage business. Pet. App. 145a.

D. In A Sharply Divided Decision, This Court Reverses The Judgment.

In a 6-3 decision this Court reversed. Pet. App. 68a-69a. The Court found the "geographical interpretation" of § 109(a) propounded by the Second Circuit (as well as the dissent, the United States, and Wiley and its many amici) created various linguistic problems and was inconsistent with both "historical and contemporary statutory context." *Id.* at 43a. The Court also found "no geographical distinctions" to the first sale doctrine as it was applied at common law, *Id.* at 50a, and it noted various "practical problems" that would impact foreign trade were the first sale doctrine applied only to domestically-produced works, *Id.* at 57a-58a. The Court acknowledged the statement in *Quality King* that the Second Circuit had relied upon, but noted, "[m]ost importantly, the statement is pure dictum . [W]e have written that we are not necessarily bound by dicta should more complete argument demonstrate that the dicta is not correct." *Id.* at 61a-62a.

In a lengthy dissent, Justice Ginsburg, joined by Justice Kennedy and in part by Justice Scalia, disagreed with the majority's interpretation of § 109(a), which Justice Ginsburg found "at odds with Congress' aim to protect copyright owners against the unauthorized importation of low-priced, foreign-made copies of their copyrighted works." Pet. App. 74a (Ginsburg, J. dissenting). Citing the *Quality King* language relied upon by the district court and the Second Circuit, Justice Ginsburg noted the majority "does not deny that under the language I have quoted

from *Quality King*, Wiley would prevail. Nevertheless, the Court dismisses this language, to which all Members of the *Quality King* Court subscribed, as ill-considered dictum." *Id.* at 79a (internal citations omitted). Unlike the majority, Justice Ginsburg found Wiley's position consistent with "what the plain text of the Act conveys: Congress intended § 602(a)(1) to provide copyright owners with a remedy against the unauthorized importation of foreign-made copies of their works, even if those copies were made and sold abroad with the copyright owner's authorization." *Id.* at 95a.

E. Kirtsaeng Seeks Over $2,000,000 in Fees Even Though Kirtsaeng Had No Obligation To Pay Any Of His Supreme Court Counsel's Fees.

Having prevailed in this Court, Kirtsaeng returned to the district court, seeking attorney's fees and the reimbursement of his litigation expenses pursuant to 17 U.S.C. § 505. Under § 505, in any civil action under the Copyright Act, a court "in its discretion may allow the recovery of full costs" and "may also award a reasonable attorney's fee to the prevailing party as part of the costs." 17 U.S.C. § 505.

Kirtsaeng sought $2,049,753.66 in fees and costs. JA 108. Of that figure, $125,111.12 was attributable to the time and expenses of Sam P. Israel, P.C., Kirtsaeng's counsel before the district court and Second Circuit. JA 108 n.1. The balance – $1,924,642.54 – was for the time and expenses of Orrick, Herrington & Sutcliffe

LLP ("Orrick"), which had represented Kirtsaeng before this Court in *Kirtsaeng I*. JA 108. That figure was more than six times the $300,000 charged by Wiley's Supreme Court counsel in *Kirtsaeng I*, and included, for example, $531,085.25 for time spent soliciting and coordinating amici support from sympathetic business groups, as well as 330.6 hours of argument preparation time for counsel other than the arguing counsel. JA 149, JA 115, JA 96-97; CA2 JA A425.[2]

The fee petition did not include Kirtsaeng's billing arrangements with counsel, and Kirtsaeng refused to voluntarily produce these documents when requested. JA 109. On September 26, 2013, the district court compelled Kirtsaeng and his lawyers to produce documents reflecting their billing arrangements as well as any modifications to those arrangements. Minute Order (Sept. 26, 2013).

On October 9, 2013, Kirtsaeng produced a retainer agreement with Orrick dated November 11, 2011. JA 176. In its letter, Orrick noted its understanding that Kirtsaeng was "not in a position to pay for our services," JA 182, and thus agreed to represent Kirtsaeng "without charge" provided Kirtsaeng agreed "that if the Supreme Court does grant certiorari in this case, we [(*i.e.*, Orrick)] will argue the case on your behalf," JA 182-184.

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[2] Kirtsaeng and Wiley each had 11 amicus briefs filed at the merits stage in support of their respective positions.

This document production was incomplete, however. On October 4, 2013, after the district court had ordered Kirtsaeng to produce his billing arrangements, Kirtsaeng, Orrick, and Israel entered into a new agreement. JA 166-169. This new agreement was not included in the October 9 production, and Wiley first learned of it on November 20, 2013, when the new agreement was attached as an exhibit to Kirtsaeng's reply brief in support of his fee petition. JA171. The new agreement specified, in detail, how any fee award would be divided between Kirtsaeng, Orrick, and Israel. JA 167-168. In brief, the agreement provided that Kirtsaeng would first be reimbursed for any amounts paid to Israel, and the next $200,000 of any recovery would be paid to Israel. JA 167. The remainder of any recovery was to be divided between Israel and Orrick proportionate to the total amount incurred by each firm. *Id.* The letter also provided that "[a]s the likelihood of recovery of fees at the district court level is less than certain and because pursuing this matter to the appellate courts will result in additional expense and attorneys' fees, we [Orrick] retain the right to withdraw from this representation or decide not to take an appeal in this matter should the district court deny our [fees] motion. " JA 168.

F. The District Court Denies The Fee Motion In A Detailed Opinion That Concluded Every Factor Bearing On The Fee Determination Counseled Against Awarding Fees.

Wiley opposed Kirtsaeng's application for fees on numerous grounds, including that it was inconsistent

with § 505 of Copyright Act and *Fogerty*. In a comprehensive opinion, Pet. App. 6a-24a, the district court agreed that no fees were appropriate based on the facts and circumstances of this case.

The district court began by noting this Court's teaching in *Fogerty* that attorney's fees are not mandatory under the Copyright Act, and that a district court should exercise its "equitable discretion" in determining whether an award is warranted. Pet. App. 9a. (quoting *Fogerty*, 510 U.S. at 534). In exercising this discretion, the district court recognized that this Court had approved of the use of various non-exclusive factors to guide a court's discretion, including "[1] frivolousness, [2] motivation, [3] objective unreasonableness (both in the factual and in the legal components of the case) and [4] the need in particular circumstances to advance consideration of compensation and deterrence so long as such factors are faithful to the purposes of the Copyright Act and are applied to prevailing plaintiffs and defendants in an evenhanded manner." *Id.* at 10a (quoting *Fogerty*, 510 U.S. at 534 n.19).

In explaining the applicable legal framework, the district court recognized that, post-*Fogerty*, the Second Circuit "has emphasized in particular the importance of the objective unreasonableness factor," Pet. App. 10a (citing *Matthew Bender & Co. v. West Publ'g Co.*, 240 F.3d 116, 121-22 (2d Cir. 2001)), because litigation in close or novel cases "clarifies the boundaries of copyright law and neither prospective plaintiffs nor prospective defendants should be discouraged from

litigating in such circumstances." *Id.* at 12a (internal quotation mark omitted).

At the same time, the district court emphasized that "[t]here is no precise rule or formula for making these determinations," Pet. App. 9a (quoting *Fogerty*, 510 U.S. at 534), and "that other factors may, in some circumstances, outweigh the objective unreasonableness factor and lead the court to conclude that equity supports a fee award notwithstanding the objective reasonableness of the non-prevailing party," *Id.* at 13a.

Having articulated the legal standard, the district court first found "neither the factual allegations nor the legal theory on which Wiley's claim was based were objectively unreasonable." Pet. App. 12a. It noted that the Second Circuit as well as three Justices of this Court had agreed with Wiley that the first sale doctrine should not have been available to Kirtsaeng as a defense. *Id.* Indeed, Kirtsaeng himself did not dispute that Wiley had advanced an objectively reasonable position on the merits. *Id.*

The district court then devoted the remainder of its opinion to assessing the other factors mentioned by this Court in *Fogerty*, as well as additional considerations urged by Kirtsaeng. Those considerations included:

Frivolousness. The district court held that "[f]or the same reasons that Wiley's claim cannot be said to have been objectively unreasonable, it was clearly not frivolous." Pet. App. 14a

Motivation. The district court found that it had had no reason to doubt respondent's "motivation" – the second factor identified in *Fogerty*. In particular, Wiley's motion to attach Kirtsaeng's personal property "could reasonably have been motivated by a desire to protect the value of a judgment against Kirtsaeng, based on Wiley's belief that Kirtsaeng was withdrawing funds from his bank accounts and transferring title to his property to avoid satisfying a judgment against him." Pet. App. 15a.

Compensation and Deterrence. The district court concluded that neither compensation nor deterrence "weigh in favor of a fee award." Pet. App. 16a. For one, "Kirtsaeng has not in fact paid, and is not obligated to pay, most of the legal fees sought." *Id.* In making this observation, the district court noted that Orrick – which was responsible for the vast majority of the legal fees incurred in this case – had agreed that Kirtsaeng would not be responsible for paying its fees in exchange for Orrick being guaranteed the argument before this Court in the event that the petition in *Kirtsaeng I* were granted. *Id.* Moreover, "Kirtsaeng's need for compensation for his legal defense in this case is tempered by his victory – he may now continue his arbitrage business free of the fear of incurring copyright liability." *Id.* This case was *not* one "where continued litigation may have been uneconomical in the absence of the promise of the fee award." *Id.* at 20a.

Litigation Misconduct. The district court found that Wiley had not "engage[d] in any conduct that equity suggests should be deterred by the threat of a

large fee award." Pet. App. 17a. Rather, respondent had brought an infringement action "based on its belief that, given then-existing legal interpretations of the Copyright Act, Kirtsaeng was infringing on Wiley's rights." *Id.* And, as the district court concluded, actions brought to stop behavior that is recognized under governing law as infringing "should not be deterred." *Id.* (quotation marks omitted).

Clarification of the Law. At Kirtsaeng's request, the district court considered whether fees were warranted due to the fact that *Kirtsaeng I* clarified the boundaries of copyright law. The district court found that this consideration did not counsel in favor of fees because "this result is due as much to Wiley's risk in bringing the claim as to Kirtsaeng's successful defense against it." Pet. App. 18a; *see also* at 18a-19a ("'[B]ecause novel cases require a plaintiff to sue in the first place, the need to encourage meritorious defenses is a factor that a district court may balance against the potentially chilling effect of imposing a large fee award on a plaintiff, who, in a particular case, may have advanced a reasonable, albeit unsuccessful, claim.'" (quoting *Canal+ Image UK v. Lutvak*, 792 F Supp. 2d 675, 683 (S.D.N.Y 2011))).

Prevailing on the Merits. Kirtsaeng argued that he was entitled to fees because "he prevailed on the merits, rather than a technical defense (such as statute of limitations or laches)." The district court found that this factor "d[id] not directly address the interests of copyright law." Pet. App. 21a. After all, "a small success on a technical issue against an objectively

unreasonable claim or defense would warrant compensation and deterrence of similarly unreasonable future litigating positions," while "a high degree of success in a novel or close case with reasonable litigating positions on both sides would *not* warrant a fee award because neither party should be discouraged from litigating in such circumstances." *Id.*

Relative Financial Status. Finally, the district court evaluated the relative financial status of the parties, and found it did not support awarding fees. As the district court explained, "it may be that even a small award against an impecunious party with an unreasonable litigating position may further the Copyright Act's goals by incentivizing reasonableness in copyright litigation or, conversely, that a fee award would not advance the Copyright Act's goals in a case involving a large financial disparity between the parties because, as here, it is important to encourage reasonable claims (regardless of a plaintiff's wealth or poverty) as well as meritorious defenses involving close or novel issues of copyright law." Pet. App. 23a-24a. The district court noted that financial disparity could instead be relevant in determining the quantum of fees where an award was justified. *Id.* at 23a.

In sum, having considered various equitable factors including, but also going far beyond, the reasonableness of the parties' litigating positions, the district court determined that a fee award was not appropriate. Pet. App. 24a.

G. The Second Circuit Affirms the Denial Of Fees As Appropriate In Light Of All The Relevant Considerations.

In an unpublished order, the Second Circuit affirmed. *See John Wiley & Sons, Inc. v. Kirtsaeng*, 605 Fed. App'x 48, 50 (2d Cir. 2015), Pet. App. 5a. Quoting *Fogerty*, the court of appeals began by noting that the district court was "not bound by any 'precise rule or formula' when evaluating whether an award of fees is warranted," but rather "'equitable discretion should be exercised in light of the [relevant] considerations.'" Pet. App. 3a (quoting *Fogerty*, 510 U.S. at 534 & n.19 (alterations in original)). The court of appeals held that the district court "properly placed 'substantial weight' on the reasonableness of John Wiley & Sons' position in this case," noting "'the imposition of a fee award against a copyright holder with an objectively reasonable litigation position will generally not promote the purposes of the Copyright Act.'" *Id.* at 4a (quoting *Matthew Bender*, 240 F.3d at 122).

The court of appeals found "no merit to the appellant's contention that the district court 'fixated' on John Wiley & Sons' objective reasonableness at the expense of other relevant factors. To the contrary the district court expressly recognized that *Matthew Bender* 'reserved a space for district courts to decide that other factors may outweigh the objective unreasonableness factor.'" Pet. App. 4a (citation omitted). While perhaps not agreeing "in every instance with the district court's evaluation of these

other factors," the court of appeals saw "no abuse of discretion in the district court's overall conclusion that, in the circumstances of this case, these factors did not outweigh the 'substantial weight' afforded to John Wiley & Sons' objective reasonableness." *Id.* at 5a.

SUMMARY OF ARGUMENT

I. Section 505 of the Copyright Act provides that district courts "may .. award a reasonable attorney's fee to the prevailing party" in a suit under the Copyright Act. 17 U.S.C. § 505. The Second Circuit's standard for awarding fees under § 505 furthers the goals of the Copyright Act as articulated by this Court, and as applied in the careful decision of the district court.

A. There was a long and settled practice of treating objective reasonableness as the preeminent consideration in the decision to award attorney's fees in copyright suits under the 1909 Copyright Act. Under the 1909 Act, fees were almost never awarded where the losing party had taken a reasonable position. Congress was well aware of this practice when it enacted the 1976 Copyright Act, and it incorporated the 1909 Act's fee language nearly verbatim into § 505. Congress is thus presumed to have intended § 505 to continue the settled practice of giving substantial weight to objective reasonableness.

B. Giving substantial weight to objective reasonableness is also consistent with *Fogerty*, this Court's leading case on § 505.

1. In *Fogerty*, this Court held that a fee determination under § 505 should not turn on whether the prevailing party was the plaintiff or the defendant. The Court further held that § 505 was not intended to adopt the British Rule, in which a prevailing party was presumptively entitled to fees, absent special circumstances.

Instead, the Court explained, a district court should exercise its discretion under § 505 to award fees where doing so would further the goals of the Copyright Act. One of those goals was to prevent infringement. But another was copyright law's peculiarly strong interest in clarity such that authors and the public alike could know whether a work was protected. The Court further endorsed a short list of non-exclusive factors that district courts could use in making fee determinations. Two of the four factors concerned the reasonableness of the losing party's position: objective reasonableness and frivolousness.

2. The Second Circuit's approach to fee awards follows *Fogerty* in every respect. In the Second Circuit, fee awards are assessed on a case-by-case basis in light of all relevant factors. The objective reasonableness of the losing party's position is given substantial weight in that totality-of-the-circumstances analysis.

That emphasis on objective reasonableness comports particularly well with *Fogerty*. Most obviously, of the four factors that *Fogerty* cited with approval, one of them was objective reasonableness,

and another was the related concept of frivolousness. Moreover, *Fogerty* recognized that there was a long tradition of not awarding fees in copyright suits where the losing party had taken a reasonable position. It cannot be wrong for a court to emphasize a factor that this Court did.

A focus on objective reasonableness also ensures that parties have the right incentive to litigate cases and thereby serve the Copyright Act's interest in clarifying the law. In close cases – *i.e.*, the cases in which there is the greatest public interest in clarifying the law – both sides by definition will have reasonable positions. Imposing the threat of attorney's fees will make litigation more risky and expensive, and thus will reduce the chance that the parties will litigate those close cases to final judgment (let alone through appellate review).

Objective reasonableness is equally important in cases where a party is pressing a weak claim or defense. In those cases, the law is already clear, and so the threat of fees will discourage parties from taking weak positions, and ultimately compensate prevailing parties for having to litigate if the unreasonable party persists in its position.

C. Kirtsaeng's criticisms of the Second Circuit's approach are misguided and rely on misstatements or selective quotation of sources.

1. First, Kirtsaeng is wrong when he suggests that the Second Circuit's approach improperly "pretermits" the district court's exercise of discretion. It is not

inappropriate for an appellate court to channel a district court's discretion so that it serves the values that this Court held are important. *Fogerty* tells district courts to award fees where it would further the goals of the Copyright Act, namely the "peculiarly important" interest in clarifying the law. Giving substantial weight to objective reasonableness serves that goal. Nor is Kirtsaeng correct when he suggests that the Second Circuit is out of step with other courts. As the leading treatise explains, the practice in courts today is that fees will not typically be awarded where the losing party has not advanced a frivolous or objectively unreasonable claim.

In any case, Kirtsaeng is simply wrong when he caricatures the Second Circuit as ignoring any consideration other than objective reasonableness. The Second Circuit is perfectly clear that although objective reasonableness is given substantial weight, other factors can carry the day. The very cases Kirtsaeng cites as exhibiting this supposed flaw expressly took account of other factors.

Indeed, there is no clearer example than *this* case to demonstrate that the Second Circuit's test looks beyond objective reasonableness. In a lengthy discussion, the district court explained that there could well be cases in which the need to compensate or otherwise reward a prevailing defendant could outweigh the objective reasonableness of the losing plaintiff's position. But this was not one of those cases because Kirtsaeng had nothing to lose and everything to gain by continuing to litigate. He had transferred his

assets out of the country and was receiving millions of dollars in legal services from his Supreme Court counsel who were willing to provide those services for free in exchange for the right to argue Kirtsaeng's case. And by winning, Kirtsaeng was able to continue his successful arbitrage business. Conversely, Wiley had nothing to show for having taken an eminently reasonable legal position except its own legal bills. The district court's analysis was thus not "pretermitted," but rather both comprehensive and correct in concluding that fees were not warranted based on the totality of facts and circumstances of this case.

2. Kirtsaeng is also mistaken when he contends that the Second Circuit's approach favors prevailing plaintiffs over prevailing defendants in violation of *Fogerty*. The sole study Kirtsaeng relies upon concludes – in a passage not fully quoted by Kirtsaeng – that "*Fogerty*'s effect has been the most pronounced in the [Second Circuit]," where rate of fee awards to prevailing defendants jumped from 12.5% prior to *Fogerty* to 80% after the decision was issued.

II. Kirtsaeng's proposed theory of fees would displace a factor – objective reasonableness – that has been at the heart of the copyright fee award analysis for more than a century with a newly fashioned factor – "jurisprudential importance" – that would frustrate the goals of copyright law, violate this Court's teachings in *Fogerty*, and present serious problems of administrability to boot. This Court should reject it.

A. Making the importance of the case the North Star of the fee inquiry hinders rather than furthers the goals of the Copyright Act. It is precisely in the important cases that both sides are likely to have reasonable positions on an undecided issue of law. Saddling the losing party with attorney's fees despite having advanced a reasonable position makes it less, not more, likely that the parties will litigate their claims to final judgment. Tellingly, the exemplar cases that Kirtsaeng points to as adopting his rule give substantial weight to the objective reasonableness of the losing claim. Kirtsaeng's rule is also self-serving. As a prevailing party, he can look back in retrospect and argue that the importance of the case warrants fees. But at the time of the merits litigation, an emphasis on objective reasonableness allowed Kirtsaeng to litigate and appeal that important issue with the confidence that he likely would not have to pay Wiley's attorney's fees even if he lost on the merits.

B. Kirtsaeng's rule also violates *Fogerty*'s command by effectively implementing the British Rule for fees. Kirtsaeng concedes that fees are generally warranted where a litigant prevails over a weak position. But he also believes that the litigant who prevails in an important case – which by definition is likely to have reasonable arguments on both sides – is entitled to fees. A rule that awards fees to the prevailing party regardless whether the losing party's position was weak or strong is tantamount to the British Rule explicitly rejected in *Fogerty*.

C. Premising fees on the importance of the case also presents formidable administrative difficulties. Courts are well trained to assess the reasonableness of a party's claims. It is far more difficult to assess whether a case is of "seismic significance." That subjective inquiry, to the extent that it could be carried out at all, typically could not be reliably made until long after the suit has finished.

The judgment below should be affirmed.

ARGUMENT

I. Section 505 Is Properly Interpreted To Give Substantial Weight To Objective Reasonableness.

A. Courts have long given objective reasonableness substantial weight in determining whether to award fees in copyright suits, and Congress intended to continue that practice in Section 505.

Section 505 provides that in awarding costs, "the court may also award a reasonable attorney's fee to the prevailing party as part of the costs." 17 U.S.C. § 505. That provision was carried over almost verbatim from the 1909 Copyright Act, which provided that "the court may award to the prevailing party a reasonable attorney's fee as part of the costs." Copyright Act of 1909, § 40, 35 Stat. 1075, 1084.

Courts under the 1909 Act gave substantial – indeed frequently dispositive – weight to the objective reasonableness of the losing party's position in

assessing whether fees were warranted. *See, e.g., Eisenschiml v. Fawcett Publ'ns, Inc.*, 246 F.2d 598, 604 (7th Cir. 1957) (reversing fee award as abuse of discretion because "a very close question was involved, and we hold that plaintiff should not be assessed attorney fees for trying to protect the copyright on his books"); *Morse v. Fields*, 127 F Supp. 63, 69 (S.D.N.Y. 1954) ("In the exercise of my discretion I shall deny counsel fee The plaintiff's claim was not capricious or unreasonable and I have reached my conclusion only after a thorough and difficult consideration of the evidence and the multitude of inferences to be drawn therefrom which were strongly advocated by both sides." (internal citation omitted)).[3] In light of this case

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[3] Other examples are legion. *E.g., Edward B. Marks Music Corp. v. Continental Record Co.*, 222 F.2d 488, 493 (2d Cir. 1955) ("[I]n copyright cases such an allowance is within our discretionary power, 17 U.S.C. § 116, we feel that in this case the unsuccessful litigant should not thus be penalized. The litigation which it instituted was not vexatious but involved a novel question of statutory interpretation."); *Overman v. Loesser*, 205 F.2d 521, 524 (9th Cir. 1953) ("The case was hard fought. There is no indication that the appeal was pursued in bad faith. And the principal question before us presented a complex question of law."); *Alfred Bell & Co. v. Catalda Fine Arts*, 191 F.2d 99, 106 (2d Cir. 1951) (affirming award of fees in a case of "[o]pen and unabashed piracy" where defendants' arguments were deemed "irrelevant" and clearly refuted by the record); *Official Aviation Guide Co. v. Am. Aviation Assocs.*, 162 F.2d 541, 543 (7th Cir. 1947) (same); *Cloth v. Human*, 146 F. Supp. 185, 193 (S.D.N.Y. 1956) ("An attorney's fee is properly awarded when the infringement action has been commenced in bad faith, as where the evidence establishes that the plaintiff's real motive is to vex and harass the defendant or where plaintiff's claim is so lacking in merit as to present no arguable

law, the leading copyright treatise concluded that under the 1909 Copyright Act:

> [A]n attorney's fee will not be awarded if the losing party was driven to litigation by an overtechnical position taken by the prevailing party, *or if a novel or complex question of law is involved and the losing party is acting in good faith.* One court has taken the position that if only a portion of the legal services for the prevailing party were rendered because of an unreasonable position taken by the losing party, then the award of an attorney's fee should be commensurately apportioned.

Melville B. Nimmer, Nimmer on Copyright § 161, at 705 (1964) (emphasis added) (footnotes omitted); *see also* 2 Melville B. Nimmer, Nimmer on Copyright § 161, at 706-706.1 (1972) (same).

When Congress was considering the 1976 Copyright Act, it was well aware that objective reasonableness was a central focus of the fee award inquiry under the 1909 Act. For one thing, Congress is presumed to know the settled state of the law when it legislates.

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question of law or genuine issue of fact."); *Rose v. Connelly*, 38 F. Supp. 54, 55-56 (S.D.N.Y. 1941) (awarding attorney's fees when a plaintiff's claims were "quite fantastic" in that under plaintiff's theory "hardly any drama since the Garden of Eden could survive the charge of plagiarism").

See, e.g., Miles v. Apex Marine Corp., 498 U.S. 19, 32 (1990). Moreover, as this Court explained in *Fogerty*, when "Congress [was] studying revisions to the Act" the Copyright Office provided Congress with "two studies" regarding the operation of the 1909 attorney's fee provision. *See Fogerty*, 510 U.S. at 528-533. One of those studies concluded after a review of the case law that fee awards were typically premised on the reasonableness of the losing party's position:

> [C]ourts do not usually make an allowance at all if an unsuccessful plaintiff's claim was not "synthetic, capricious, or otherwise unreasonable" or if the losing defendant raised real issues of fact or law.

Ralph S. Brown, Jr., *The Operation of the Damage Provisions of the Copyright Law: An Exploratory Study, in Subcomm. on Patents, Trademarks, and Copyrights of the S. Comm. on the Judiciary*, 86th Cong., 2d Sess. 59, 85 (Comm. Print, Copyright Law Revision Study No. 23, 1960) (hereinafter Brown Study). The Brown Study went on to add that

> Several experienced practitioners said that they seldom received fee allowances, nor were their clients compelled to pay allowances, because the only cases they took to court involved unsettled questions of law or fact, and they did not expect the court to make an allowance to either side.

Id.[4]

Given that Congress is presumed to have known – and was actually affirmatively informed of – the "settled practice" of courts emphasizing objective reasonableness in applying the 1909 fee provision, Congress's decision to leave the fee provision essentially unchanged in the 1976 Act indicates that Congress intended that practice to continue. *Lorillard v. Pons*, 434 U.S. 575, 580 (1978) ("Congress is presumed to be aware of an administrative or judicial interpretation of a statute and to adopt that interpretation when it re-enacts a statute without change "); *Miles*, 498 U.S. at 32 (when Congress incorporates existing language "unaltered" into new statute, Congress s presumed to incorporate the judicial "gloss" on the predecessor statute as well) (citing *Cannon v. Univ. of Chicago*, 441 U.S. 677, 696-97 (1979)); *Fogerty*, 510 U.S. at 527-28 (looking to pre-1976 practice to determine the meaning of § 505 (citing *Lorillard*)).

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[4] The other study submitted by the Copyright Office treated the issue of attorney's fees only briefly, but it confirms that the pre-1976 practice made objective reasonableness a key criterion. The study noted that the 1909 Act committed the decision to award fees to the discretion of district courts and that "[t]he cases indicate that this discretion has been judiciously exercised." William S. Strauss, *The Damage Provisions of the Copyright Law, in Subcomm. on Patents, Trademarks, and Copyrights of the S. Comm. on the Judiciary*, 86th Cong., 2d Sess. 1, 31 (Comm. Print, Copyright Law Revision Study No. 22, 1960). The cases cited by the Strauss Study as exemplifying that judicious discretion include *Overman* and *Official Aviation Guide* cited above. *See supra* n.3.

The history of § 505 thus indicates that Congress intended objective reasonableness continue to play a central role in the fee award calculus.

B. Giving substantial weight to objective reasonableness furthers the goals of the Copyright Act as illuminated by *Fogerty*.

This Court's leading case on § 505, *Fogerty*, further confirms that objective reasonableness is appropriately given substantial weight in determining whether a fee award is appropriate.

1. In *Fogerty*, the Court began by explaining how a district court should *not* approach § 505. It would be incorrect, the Court held, for a district court to base its fee decision on whether the prevailing party was a plaintiff or a defendant. Section 505 "gives no hint" that the status of the prevailing party matters. *Fogerty*, 510 U.S. at 522. The Court also rejected interpreting § 505 as adopting the British Rule in which "attorney's fees [are awarded] as a matter of course, absent exceptional circumstances" in copyright suits. *Id.* at 533. The Court explained that § 505 provides courts "may" award fees, and that the "word 'may' clearly connotes discretion" to award fees rather than a command to do so. *Id.* Had Congress intended the "bold departure" of adopting the British Rule, it would have said so "explicit[ly]." *Id.* at 534.

Instead, the Court explained, a court's decision to award fees should turn on whether doing so would serve the goals of the Copyright Act. Here, the Court noted that "discourag[ing] infringement" was an

important goal of the Copyright Act, albeit not the only goal. *Id.* at 526. The Court emphasized that the Copyright Act seeks a "balance" between encouraging the creation of works by protecting the rights of authors while also allowing the public to benefit from works not protected by copyright. *Id.* (quotation marks omitted). In light of these competing interests, the Court emphasized that "it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible," and that fees should be awarded in a way that encourages parties to litigate claims to provide that clarity to the public. *Id.* at 527.

In a much-cited footnote, *Fogerty* then observed that certain nonexclusive factors could be used to guide a district court's discretion in awarding fees. *See id.* at 534 n.19. Those factors include "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." *Id.* (quoting *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151, 156 (3d Cir. 1986)). The Court approved the use of those factors to guide district courts' discretion provided "such factors are faithful to the purposes of the Copyright Act and are applied to prevailing plaintiffs and defendants in an evenhanded manner." *Id.*

2. The Second Circuit's approach to fee awards in copyright litigation perfectly tracks the guidance provided by *Fogerty*. In the Second Circuit's formulation, "[t]here is no precise rule or formula for making [attorney's fees] determinations." Pet. App. 9a

(quotation marks omitted). Instead, "equitable discretion should be exercised" and the objective reasonableness of the losing party's position may be given "substantial weight" in making that equitable determination. *Id.* (quotation marks omitted).

Placing substantial weight on the objective reasonableness of the losing party's position "serves the goals of the Copyright Act." Most obviously, of the four factors that this Court highlighted in *Fogerty* as guiding a district court's discretion to award fees, two of them concerned the reasonableness of the losing party's position: "objective unreasonableness (both in the factual and in the legal components of the case)" and "frivolousness." Pet. App. 10a (quotation marks omitted). It would be bizarre to conclude after this Court *twice* emphasized the relevance of objective reasonableness – even in a non-exhaustive list of factors – that district court would be wrong to give substantial weight to that factor.[5]

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[5] Nor is it surprising that the Court emphasized objective reasonableness in its non-exhaustive list of factors given the historical centrality of the factor in copyright fee awards, *see supra*, and the prominence of the reasonableness inquiry in other fee award contexts. *See Martin v. Franklin Capital Corp.*, 546 U.S. 132, 141 (2005) ("Absent unusual circumstances, courts may award attorney's fees under § 1447(c) only where the removing party lacked an objectively reasonable basis for seeking removal."); *Cloer v. Sec'y of Health & Human Servs.*, 675 F.3d 1358, 1362 (Fed. Cir. 2012) ("Attorney's fees should be denied [under the Vaccine Act, 42 U.S.C. § 300aa-15(e) where] the petition was not brought in good faith [or] there was [no]

Indeed, *Fogerty* itself expressly cited the conclusion in the Brown Study that under the materially identical 1909 Act "courts do not usually make an allowance at all if an unsuccessful plaintiff's claim was not 'synthetic, capricious or otherwise unreasonable,' or if the losing defendant raised real issues of fact or law." *Fogerty*, 510 U.S. at 528 & n.16 (quoting Brown Study at 85 and citing illustrative pre-1976 caselaw). While *Fogerty* noted that this conclusion indicated that there was no settled practice of treating prevailing plaintiffs and defendants differently, *id.*, it also makes plain that *Fogerty* understood and accepted that there *was* a settled practice under the Copyright Act of not generally awarding fees against objectively reasonable positions.

But there is a deeper connection between the reasonableness of the losing party's position and the goals of the Copyright Act in the context of fee awards. Giving substantial weight to the reasonableness of the

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reasonable basis for the claim for which the petition was brought.") *aff'd sub nom. Sebelius v. Cloer*, 133 S. Ct. 1886 (2013); *Burka v. U.S. Dep't of Health & Human Servs.*, 142 F.3d 1286, 1288 (D.C. Cir. 1998) (noting that among the factors a court considers when determining whether to award attorney's fees to a prevailing complainant under the Freedom of Information Act, 5 U.S.C. § 552(a)(4)(E) is whether the government had a "reasonable basis for withholding requested information" (quotation marks omitted)); *Griffon v. U.S. Dep't of Health & Human Servs.*, 832 F.2d 51, 53 (5th Cir. 1987) (declining to award fees under the Equal Access to Justice Act, 28 U.S.C. § 2412 upon finding the government's position was "substantially justified" because the questions presented were "both novel and difficult").

losing party's position helpfully *encourages* litigation of the hard and close questions of copyright law that are important to resolve. At the same time, it appropriately *discourages* litigation of weak claims and defenses for which the answer under the Copyright Act is clear.

As this Court has explained, awarding fees to a prevailing party increases the risk associated with litigation, and thus chills litigation to the extent that a party's chance of prevailing is uncertain or doubtful. *See, e.g.*, *Cooter & Gell v. Hartmax Corp.*, 496 U.S. 384, 408 (1990) (holding that a district court may not impose attorney's fees as a result of an appeal of a Rule 11 sanction because such an award "would be likely to chill all but the bravest litigants from taking an appeal"). That is why it is well-documented that the British Rule discourages litigation where a party has reason to believe that it may not prevail. *E.g.*, Richard A. Posner, *An Economic Approach to Legal Procedure and Judicial Administration*, 2 J. Legal Stud. 399, 428 (1973) (the British Rule raises the stakes for parties involved in litigation and thus "the expected value of litigation [is] less for risk-averse litigants, which will encourage settlements if risk aversion is more common than risk preference"); Thomas D. Rowe, Jr., *Predicting the Effects of Attorney Fee Shifting*, 47 Law & Contemp. Probs., 139, 159 (1984) ("[A]dding the possibility of a fee shift against individual litigants relying on their own resources might well result in a greater tendency to settle claims once pursued than exists under the American rule.").

But it is precisely in the close cases of copyright law that there is a "peculiarly important" need to encourage litigation so that the law can be "demarcated." *Fogerty*, 510 U.S. at 1030. Resolution of close cases lets authors create with confidence and the public know which works can be used without fear of an infringement claim. *Id.*; *see also e.g.*, *Cmty. for Creative Non-Violence v. Reid*, 490 U.S. 730, 749 (1989) ("Congress' paramount goal in revising the 1976 Act [was] enhancing predictability and certainty of copyright ownership . . ."); *Lotus Dev. Corp. v. Borland Int'l, Inc.*, 140 F.3d 70, 75 (1st Cir. 1988) ("When close infringement cases are litigated, copyright law benefits from the resulting clarification of the doctrine's boundaries."). If parties in those close cases know, however, that they will have to pay fees if their opponent's (by definition) reasonable position turns out to be successful, they will be less likely to litigate those cases to final judgment (let alone through appellate review so that the broader public may benefit). Conversely, an emphasis on objective reasonableness appropriately *discourages* litigants from pursuing claims and defenses that are weak under copyright law, and for which the law is already "demarcated." *See, e.g.*, *Mahan v. Roc Nation, LLC*, No. 15-1238-CV, -- F App'x --, 2016 WL 730653, at *2 (2d Cir. Feb. 24, 2016) (finding an award of attorney's fees "would further the objectives of the Copyright Act by deterring such baseless appeals").

"This is not to say that a finding of objective reasonableness necessarily precludes the award of fees." *Matthew Bender & Co. v. West Publ'g Co.*, 240

F.3d 116, 122 (2d Cir. 2001). As the Second Circuit has recognized, there may well be cases where other factors counsel in favor of a fee award. If a district court finds those other factors to be present and of significance, then a fee award may be appropriate. As discussed further below, the Second Circuit's approach serves the goals of the Copyright Act by encouraging the litigation of close questions of copyright law while also giving district courts the flexibility to decide whether fees are warranted as the totality of the circumstances dictate.

C. Kirtsaeng's criticisms of *Matthew Bender* are without basis.

Kirtsaeng does not argue that an emphasis on the objective reasonableness of a losing party's position disserves the purposes of the Copyright Act, nor does he contest that placing substantial weight on that factor will incentivize plaintiffs and defendants to fully litigate exactly the claims that will serve to clarify the boundaries of copyright law. Rather, Kirtsaeng argues that "*Matthew Bender* is fundamentally at odds with *Fogerty* and its reading of the statutory text in two ways: (a) it improperly pretermits district court discretion; and (b) it flouts *Fogerty's* evenhandedness requirement." Br. of Pet'r 22. Kirtsaeng is wrong on both counts.

1. Kirtsaeng's "pretermit" criticism is misguided and inaccurate.

Kirtsaeng first claims that giving substantial weight to objective reasonableness "interferes with the case-

by-case exercise of discretion that *Fogerty* demands" and wrongly "pretermits district court discretion." Br. of Pet'r 23. Kirtsaeng's critique is wrong both in theory and in fact.

1. An appellate court does not err by channeling the discretion of a district court to ensure that Congress's intent is carried out. *This* Court has held that district courts should exercise their discretion in awarding fees to further the goals of the Copyright Act, and the Second Circuit's guidance is wholly consistent with that directive. *Cf. Martin v. Franklin Capital Corp.*, 546 U.S. 132, 139 (2005) ("Discretion [in awarding attorneys fees] is not whim, and limiting discretion according to legal standards helps promote the basic principle of justice that like cases should be decided alike.").

Kirtsaeng also claims "[e]levating one consideration above all others is, in and of itself, improper under *Fogerty*," Br. of Pet'r 24. Even if that were the practice at issue here (and it is not), Kirtsaeng's claim is notably bereft of any citation to *Fogerty*. The reason for this omission is simple: *Fogerty* did not provide that each factor it identified must rotely be given equal weight in every case. Rather, the only direct guidance *Fogerty* provided was that the factors in footnote 19 (and potentially others) must be applied in an evenhanded manner, consistent with the purposes of the Copyright Act. *See Fogerty*, 510 U.S. at 534 n.19.

Nothing in *Matthew Bender* is inconsistent with that requirement.[6]

Nor is Kirtsaeng correct when he suggests that the Second Circuit's approach to objective reasonableness is out of step with the practice of other circuits. Although they differ in their precise formulations, objective reasonableness is the most common criterion in the fee inquiry across the Courts of Appeals.[7] As the

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[6] Kirtsaeng's critique is also incoherent given that he also urges the Court to emphasize a particular factor – the importance of the case – in the fee analysis. *See infra* Part II.

[7] *See, e.g., Garcia-Goyco v. Law Envtl. Consultants, Inc.*, 428 F.3d 14, 20 (1st Cir. 2005) ("In the past, this court has applied the *Fogerty* factors in affirming awards of attorney's fees where the plaintiff's copyright claim was neither frivolous nor instituted in bad faith. Thus, the award of fees has been approved where the claim was 'objectively weak.'"); *T.D.D. Enters., Inc. v. Yeaney*, 83 F. App'x 492, 494 (3d Cir. 2003) (affirming an award of attorney's fees where the losing party "lacked an objectively reasonable or good-faith basis" for its argument); *Diamond Star Bldg. Corp. v. Freed*, 30 F.3d 503, 506 (4th Cir. 1994) ("[W]hen a party has pursued a patently frivolous position, the failure of a district court to award attorney's fees and costs to the prevailing party will, except under the most unusual circumstances, constitute an abuse of discretion."); *Action Tapes, Inc. v. Mattson*, 462 F.3d 1010, 1014 (8th Cir. 2006) (affirming a denial of attorney's fees because the losing party "raised important and novel issues under [a] seldom-litigated" statutory provision); *Seltzer v. Green Day, Inc.*, 725 F.3d 1170, 1181 (9th Cir. 2013) (reversing the grant of attorney's fees in "a close and difficult case," where the losing plaintiff's arguments were not objectively unreasonable); *Meshwerks, Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 528 F.3d 1258, 1270 n.11 (10th Cir. 2008) (denying a request for attorney's fees because "[f]ar from being frivolous, this suit presents a novel and consequential question

leading treatise puts it, "there is typically no award of fees in cases involving issues of first impression or advancing claims that were neither frivolous nor objectively unreasonable." 4 Melville B. Nimmer & David Nimmer, Nimmer on Copyright § 14.10[D][3][b] at 14-232 (2015) (footnote omitted).

2. In any case, Kirtsaeng is simply mistaken when he paints the Second Circuit as making a "fetish" of objective reasonableness at the expense of all other considerations. Br. of Pet'r 24. And he is wrong again when he seeks to equate the Second Circuit's approach with the Federal Circuit's "overly rigid inflexible framework," for awarding fees under the Patent Act that this Court rejected in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014). Br. of Pet'r 23. In *Octane Fitness*, the Federal Circuit had not only required "objective baselessness" in all cases but also that the losing party had acted in "subjective bad faith." 134 S. Ct. at 1754. Absent both elements, no fee award was permitted, regardless of any other countervailing factor. *Id.*

The Second Circuit, in contrast, has a flexible standard in which "the presence of other factors might justify an award of fees despite a finding that the

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focused on the copyrightability of images in a relatively new technological medium"); *MiTek Holdings, Inc. v. Arce Eng'g Co.*, 198 F.3d 840, 842-43 (11th Cir. 1999) ("The touchstone of attorney's fees under § 505 is whether imposition of attorney's fees will further the interests of the Copyright Act, *i.e.*, by encouraging the raising of objectively reasonable claims and defenses. .").

nonprevailing party's position was objectively reasonable." *Matthew Bender*, 240 F.3d at 122. Bad faith by itself, for example, may justify fees in an appropriate case (although unlike the Federal Circuit's test, it is not necessarily required).[8] *See, e.g., id.* ("[B]ad faith in the conduct of the litigation is a valid ground for an award of fees."); *Protoons Inc. v. Reach Music Publ'g, Inc.*, No. 09 CIV 5580 (KBF), 2016 WL 680543, at *9 (S.D.N.Y Feb. 19, 2016) (awarding fees under § 505 because "[t]he fees award will discourage bad faith attempts to undercut contractual transfers of property rights").

The very cases Kirtsaeng cites as examples of defendants being denied attorney's fees "based solely on the determination that the losing plaintiff's position was objectively reasonable" prove that his depiction of the Second Circuit is incomplete. Br. of Pet'r 24 & n.2. In every one of those cases, the courts addressed the effect of other considerations, like subjective bad faith and deterrence, just as *Fogerty* recommended. In one of the cases, the Second Circuit found that fees were warranted even though it concluded that the district

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[8] Nor for that matter does the Second Circuit insist that a litigation position be "baseless" to award fees. *E.g. Medforms, Inc. v. Healthcare Mgmt. Sols., Inc.*, 290 F.3d 98, 117 (2d Cir. 2002) (affirming denial of fee award in part because the claims were not "frivolous *or* objectively unreasonable" (emphasis added)).

court was *wrong* to have found that the losing party's conduct was objectively unreasonable.[9]

3. Indeed, the clearest proof that Kirtsaeng mischaracterizes the practice in the Second Circuit comes from this very case. Kirtsaeng contends the district court's focus on objective reasonableness caused it to "devote[] less than a sentence to Kirtsaeng's substantive positions, the result he obtained, the victory's wide-ranging impact, and the financial imbalance he confronted." Br. of Pet'r 3. The reality is that the district court devoted nearly a dozen pages to considerations other than objective reasonableness (reproduced at Pet. App. 14a-24a) and found them wanting on their own terms.

The district court did not dispute that there *could* be a case where the promise of a fee award would incentivize a litigant to pursue a defense through final

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[9] *See Viva Video, Inc. v. Cabrera*, 9 F. App'x 77, 80 (2d Cir. 2001) (affirming in part a grant of attorney's fees, but holding that the district court had wrongly found the plaintiff's conduct to be "objectively unreasonable" and that the conduct was instead in "bad faith"); *Arista Records, LLC v. Launch Media, Inc.*, 344 F. App'x 648, 650-51 (2d Cir. 2009) (considering all four *Fogerty* factors in affirming a denial of attorney's fees); *Lava Records, LLC v. Amurao*, 354 F. App'x 461, 462 (2d Cir. 2009) (noting various factors, including the plaintiff's efforts to terminate the case quickly once it became clear defendant had not personally committed copyright infringement, in affirming a denial of attorney's fees); *Medforms, Inc.*, 290 F.3d at 117 (explaining that district court had applied the "*Fogerty* factors" and did not abuse its discretion).

judgment, but it found that "the facts of this case suggest otherwise." Pet. App. 19a. Kirtsaeng's defense "against Wiley's claim was not threatened by high litigation costs because the novelty and potential importance of his case attracted offers of *pro bono* representation without any contingency or provision for a prospective fee award." *Id.* at 20a. As the record shows, Orrick was eager to represent "without charge" a client who had transferred his assets outside the country, so long as Orrick could "argue the case" in the Supreme Court. JA 182.

Kirtsaeng also had a powerful financial incentive to litigate his case. As the district court held, "a successful defense resting on the first sale doctrine would permit Kirtsaeng to continue his arbitrage business free of the threat of future copyright liability." Pet. App. 20a. That kind of payoff "distinguishe[d] this case from one where continued litigation may have been uneconomical in the absence of the promise of a fee award."[10] *Id.*

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[10] Kirtsaeng repeatedly accuses Wiley, a venerable publisher, of acting improperly by seeking to protect its intellectual property (and that of its authors) through the courts. *See* Br. of Pet'r 6 n.1; *id.* at 31 n.4. But it is entirely proper for Wiley, like any other author and publisher, to seek redress when it has a reasonable belief that infringers are using those works without permission.

In addition, Kirtsaeng's unsupported reference to the alleged "bit players," Br. of Pet'r 6, against whom Wiley allegedly litigates is not only inaccurate – many of these defendants were earning a substantial income from Wiley's and other publishers' intellectual property – but misguided. Even assuming that some defendants

Put simply, Kirtsaeng had nothing to lose and everything to gain in pursuing this case. In terms of downside risk, he was judgment-proof having transferred the bulk of his assets out of the country. And he was receiving millions of dollars of free legal assistance that would help him continue his successful arbitrage business. Wiley, on the other hand, had done nothing more than advance a highly reasonable position that clarified the law (in a manner that Wiley opposed), and for which it had already paid a substantial amount of attorney's fees to its own counsel at three (and now six) different levels of adjudication. In reaching its conclusion that fees should not be awarded, the district court did not "pretermit" its reasoning. Br. of Pet'r 23. Instead, the district court reviewed every conceivable factor just as the Second Circuit had directed, and it found no justification for fees based on the particular facts and circumstances of this case.

In sum, the Second Circuit's approach to fees marries an emphasis on objective reasonableness to a full-fledged assessment of other considerations based on the facts and circumstances of the particular case. That approach is wholly faithful to *Fogerty* and § 505.

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were impecunious, it is *Kirtsaeng's* rule – which would allow for fees against the losing party in a close case – that would expose them to liability for attorney's fees if they had taken reasonable but unsuccessful positions.

2. Kirtsaeng's evenhandedness criticism is also wrong.

Kirtsaeng also claims that *Matthew Bender* "contravenes *Fogerty*'s evenhandedness principle by treating plaintiffs and defendants differently. Br. of Pet'r 27. But in *Matthew Bender*, the Court of Appeals expressly mandated that "the standard governing the award of attorneys' fees under section 505 *should be identical* for prevailing plaintiffs and prevailing defendants." 240 F.3d at 121 (emphasis added).

Undeterred, Kirtsaeng seizes on *Matthew Bender*'s statement that the principal purpose of the Copyright Act is "to encourage the origination of creative works by attaching enforceable property rights to them." *Id.* at 122 (quotation marks omitted). Kirtsaeng is correct that an equally important purpose is to "enrich[] the general public through access to creative works," Br. of Pet'r 28 (quoting *Fogerty*, 510 U.S. at 527), but he fails to mention that the Second Circuit has repeatedly recognized this very purpose in the context of fee awards. *See, e.g., Swatch Grp. Mgmt. Servs. Ltd. v. Bloomberg L.P.*, 756 F.3d 73, 91 (2d Cir. 2014) ("[W]hile the immediate effect of our copyright law is to secure a fair return for an author's creative labor, the ultimate aim is, by this incentive, to stimulate creativity for the general public good." (internal quotation marks omitted)); *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605, 612 (2d Cir. 2006) ("[C]reative expression for public dissemination falls within the core of the copyright's protective purposes." (quoting

Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 586 (1994))).

Equally incorrect is Kirtsaeng's selective quotation of statistics in attempting to document how the Second Circuit has applied § 505 after *Fogerty*. Kirtsaeng comments that "[o]ld habits die hard" because plaintiffs are awarded fees 89% of the time when they are requested while defendants are awarded them 61% of the time. Br. of Pet'r 29 (citing Jeffrey Edward Barnes, *Attorney's Fee Awards in Federal Copyright Litigation After* Fantasy, 47 UCLA L. Rev. 1381, 1390 (2000)). What Kirtsaeng ignores is that on the very same page that these figures are reported, the study notes that "*Fogerty* has, however, had a dramatic impact on the frequency that fee awards are granted to prevailing defendants," from 16% of requests prior to *Fogerty* to 61% after the decision was issued. Barnes, *supra* at 1390.

Moreover, the same study Kirtsaeng relies upon observes "*Fogerty*'s effect has been *most* pronounced in the U.S. Courts of Appeal for the Second and Ninth Circuit, both of which applied section 505 under the now overruled dual standard prior to *Fogerty*." *Id.* at 1391 (emphasis added). Kirtsaeng's study explains that in the fifty-two months prior to *Fogerty*, the Second Circuit had only granted 12.5% of defendant's fee requests, whereas it had granted 80% in the approximately five subsequent years.[11] *Id.* The simple

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[11] Kirtsaeng's study showing an 80% fee award grant rate also gives the lie to his claim that the Second Circuit's rule imposes

reality is that courts in the Second Circuit do not hesitate to award fees to prevailing defendants when it would serve the goals of the Copyright Act. *E.g.*, *Pyatt v. Raymond*, No. 10 CIV 8764 (CM), 2012 WL 1668248, at *4 (S.D.N.Y. May 10, 2012); *Pyatt v. Jean*, No. 04-CV-3098 (TCP) (AKT), 2010 WL 3322501, at *3 (E.D.N.Y. Aug. 17, 2010); *Video-Cinema Films, Inc. v. Cable News Network, Inc.*, No. 98 CIV 7128 (BSJ), 2003 WL 1701904, at *2 (S.D.N.Y. Mar. 31, 2003); *Earth Flag Ltd. v. Alamo Flag Co.*, 154 F Supp. 2d 663, 666 (S.D.N.Y. 2001) (collecting cases).

In any case, comparing fee award rates for plaintiffs and defendants is at best an imperfect measure of whether a court has applied § 505 evenhandedly. A district court exercising its discretion and looking at the totality of the circumstances may more frequently find that the application of the *Fogerty* factors results in fees for one party rather than another, not because it is applying a biased standard, but because the facts of the cases before it dictate that outcome. Especially in an age in which the Internet has afforded substantial opportunities for willful copyright infringement, it would not be surprising to find that weak defenses are more common than weak claims. *See, e.g.*, *UMG Recordings, Inc. v. Escape Media Grp., Inc.*, No. 11 CIV 8407 TPG, 2015 WL 1873098, at *1 (S.D.N.Y. Apr.

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something akin to the "exceptional cases" requirement contained in the Patent Act, 35 U.S.C. § 285 and the Lanham Act, § 1117(a). Br. of Pet'r 25-27. An event that occurs 8 out 10 times can hardly be called "exceptional."

23, 2015) ("[B]y overtly instructing its employees to upload as many files as possible to Grooveshark as a condition of their employment, Escape engaged in purposeful conduct with a manifest intent to foster copyright infringement via the Grooveshark service." (quotation marks omitted)); *Cengage Learning, Inc. v. Shi*, No. 13CV7772-VSB-FM, 2015 WL 5167775, at *2 (S.D.N.Y Sept. 3, 2015) (defendant's willful infringement was "startlingly clear" given the violation of a prior judgment and the defendant's "continuing efforts to conceal his identity and location").

II. Kirtsaeng's Proposal Should Be Rejected Because It Would Frustrate, Rather Than Further, The Goals Of The Copyright Act.

Kirtsaeng's description of his own rule begins with a lengthy discussion in which he acknowledges: (1) that "[a] meritorious claim informs would-be creators that their rights are enforceable and deters future infringement; a meritorious defense, meanwhile redounds to the public in the form of increased access to public works," Br. of Pet'r 38-39; (2) "when litigation becomes too costly" for either plaintiff or defendant the incentives to litigate depreciate and the incentive for a settlement short of final judgment increases, *id.* at 39; and (3) "prevailing norms" of copyright law "are established only when prevailing parties have litigated them to judgment," *id.* at 40.

In light of these observations – all of which Wiley is in agreement with – one would expect Kirtsaeng to propose a rule that will not penalize plaintiffs or

defendants in those cases where litigation to judgment and through appellate review is likely to clarify a significant, and unresolved, issue of copyright law. Kirtsaeng's rule does the opposite: it discourages parties from litigating close questions of copyright law by charging them with having to pay fees when they are on the losing side of an "important" issue. That rule is convenient for Kirtsaeng now that he is a prevailing party, but it would frustrate the goals of the Copyright Act going forward, and it is inadministrable to boot.

A. Kirtsaeng's proposal would disincentivize meritorious litigation that could clarify important questions of copyright law.

The first problem with Kirtsaeng's proposal is obvious. If in cases raising the most important and close issues in copyright law, the prevailing party "ordinarily will have established a basis for a discretionary fee award," Br. of Pet'r 41, *regardless* of the objective reasonableness of the other side's arguments, parties will be less incentivized to litigate these most important cases all the way to a final judgment.

The prospect of a fee award naturally raises the stakes of litigation, and those stakes only increase as fees accrue over the courts of multiple levels of litigation. As noted above, this Court and others have recognized that the prospect of an adverse fee award disincentivizes litigants from proceeding aggressively with their cases and increases the desire to resolve a matter through settlement. *Supra* at 32-34. Kirtsaeng

disregards this basic reality. Certainly, *ex post* a successful litigant in a seminal case under Kirtsaeng's rule will receive a benefit from having seen the case through to final judgment. But, incentives work prospectively not retroactively, and the prospect of "ordinarily" having to pay a large fee award, simply for losing a close and important case, will be reason enough for many litigants on both sides to resolve cases prematurely.

Again, this case provides a perfect illustration. Even though the issue presented by this case was important, Kirtsaeng could pursue his position with the confidence that he likely would not have to pay attorney's fees if he lost, precisely *because* the issue was a close one.[12] If Kirtsaeng's rule had been the law of the Second Circuit, he would have had to weigh the probability of having to pay Wiley's fees in deciding whether to appeal his case all the way to this Court. Likewise, the prospect of having to pay what turned out to be a claim for millions of dollars of fees might well have encouraged Wiley to settle this case before it reached this Court, and thereby keep in place the 4-4 tie on the first sale doctrine that this Court reached in *Omega*. In *retrospect*, Kirtsaeng prefers his rule, but

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[12] Given that Kirtsaeng had transferred his assets out of the country and made himself judgment-proof, *see supra* at 5-6, he may never have seriously weighed the prospect of an adverse fee award. Nonetheless, Kirtsaeng's asset-transfers aside, the point remains that the threat of an attorney's fee award acts as a deterrent to any litigant in a position to pay it.

going forward, it is obvious that his proposal does not serve the goals of the Copyright Act.

The cases from the Ninth and Eleventh Circuits that Kirtsaeng cites as examples of his rule in operation do not, in fact, deemphasize the objective reasonableness of the losing party's position, or place a premium on the contribution of the victory to the state of copyright law, as Kirtsaeng claims. In *Mattel, Inc. v. MGA Entertainment Inc.*, No. CV 04-9049, 2011 WL 3420603 (C.D. Cal. Aug. 4, 2012) *aff'd*, 705 F.3d 1108 (9th Cir. 2013), the district court awarded fees, but it emphasized that Mattel's position was "far less reasonable than the claim in *Fogerty*" and that Mattel had ignored "black letter law." *Id.* at *3. In finding that this fee award was not an abuse of discretion, the Ninth Circuit noted that a prevailing party did not "ha[ve] to show" objective unreasonableness to obtain fees, but the authority it cited for this proposition was a Ninth Circuit case directing a court to consider all the *Fogerty* factors. *See Mattel, Inc. v. MGA Entm't, Inc.*, 705 F.3d 1108, 1111 (9th Cir. 2013) (citing *Apple Computer, Inc. v. Microsoft Corp.*, 35 F.3d 1435, 1448 (9th Cir. 1994)). After commenting on the importance of the case, the Ninth Circuit ultimately concluded that "[t]he district court did not abuse its discretion in awarding MGA fees for fighting against Mattel's claim 'that was stunning in scope and unreasonable in the relief it requested.'" *Id.* That kind of claim can hardly be compared to Wiley's.

The Eleventh Circuit provides even less support for Kirtsaeng's rule. Br. of Pet'r 47. In *MiTek Holdings*,

Inc. v. Arce Engineering Co., 198 F.3d 840, 842 (11th Cir. 1999), the Eleventh Circuit *reversed* a grant of fees based solely on the district court's perception of the relative financial means of plaintiff and defendant. As an instruction to the district court on remand it observed:

> The touchstone of attorney's fees under § 505 is whether imposition of attorney's fees will further the interests of the Copyright Act, *i.e.*, *by encouraging the raising of objectively reasonable claims and defenses*, which may serve not only to deter infringement but also to ensure "that the boundaries of copyright law [are] demarcated as clearly as possible" in order to maximize the public exposure to valuable works.

Id. at 842-43 (quoting *Fogerty*, 510 U.S. 526-27) (emphasis added) (alteration in original). Thus, the very case Kirtsaeng cites as an example of his preferred approach emphasizes that the "touchstone" of the § 505 determination should be the encouragement of "objectively reasonable claims and defenses." *Id.*

B. Kirtsaeng's proposal conflicts with *Fogerty* and would effectively yield the British Rule.

Kirtsaeng's rule is inconsistent with *Fogerty* in another important respect as well. In *Fogerty*, the Court could not have been more clear that § 505 was not intended to adopt the "British Rule" of fee awards

as the norm in copyright cases. *Fogerty*, 510 U.S. at 533. Kirtsaeng's rule, while not fully replicating the British Rule, goes much of the way there. Kirtsaeng would have fees awarded in a case where a party, despite making an objectively reasonable argument, loses a case of significant importance, *i.e.*, the situation presented in this case. In addition, Kirtsaeng acknowledges that fees should be awarded "where the losing party has advanced frivolous positions." Br. of Pet'r 49. In light of these two standards, the only situation in which Kirtsaeng apparently believes fees should *not* be awarded is where a losing party makes an objectively reasonable argument in a case of "localized significance" or concerning a technical issue of "copyright formalities." But Kirtsaeng gives no indication that this subset of cases represents the majority, or even plurality, of copyright litigation.[13] Thus, under Kirtsaeng's rule fees would likely be awarded in the vast majority of copyright cases, introducing a quasi-British Rule norm that *Fogerty* rejected.

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[13] To the extent that Kirtsaeng contends that fees should be reserved for cases of "seismic" importance, then his rule would seem to authorize fees only in the exceptional case, despite the absence of an "exceptional" requirement in § 505.

C. Kirtsaeng's proposal would pose significant problems in implementation in the district courts.

Under this Court's decision in *Fogerty*, and the Second Circuit's rule in *Matthew Bender*, among the nonexclusive factors that district courts evaluate in determining whether to award fees under § 505 are the objective unreasonableness of the losing party's position, the frivolousness of his claim, the losing party's motivation in litigating the suit, the need for compensation to the winning party, and the need to deter conduct like that of the losing party in the future. As ably demonstrated by the district court's decision below, those considerations are ones that district courts are well-equipped and experienced in making.

For example, district courts frequently have reason to make determinations as to whether a litigants claim is frivolous or unreasonable, in contexts ranging from the imposition of Rule 11 sanctions, *see* Fed. R. Civ. P. 11(b)(2), to dismissing claims or defenses during a pretrial conference, *see* Fed. R. Civ. P. 16(c)(2)(A), to determining whether to award attorney's fees under certain civil rights statutes such as 42 U.S.C. § 1988, *Hughes v. Rowe*, 449 U.S. 5, 14 (1980); *see also Bilal v. Driver*, 251 F.3d 1346, 1349 (11th Cir. 2001) ("[D]istrict judges remain more familiar with and are more experienced to recognize potentially frivolous claims, [and thus] [a] determination of frivolity is best left to the district court.").

Likewise, determinations such as evaluating the losing party's motivation to litigate, the need to compensate the winning party, and the desire to deter the losing party's conduct before and during the case, will all necessarily turn on an acute understanding of the specific facts and circumstances of any particular case. Making factual determinations based on the specifics of the matters before it is, of course, precisely within the expertise and experience of district courts, and the reason why district court's factual findings in the main receive substantial deference. *See, e.g.*, *Gasperini v. Ctr. for Humanities, Inc.*, 518 U.S. 415, 438 (1996) ("Trial judges have the unique opportunity to consider the evidence in the living courtroom context, while appellate judges see only the cold paper record." (internal quotation marks omitted)).

By contrast, Kirtsaeng's rule asks the district court to assess the legal significance of its own rulings, and predict the likelihood that its rulings will have "seismic significance for a particular industry, or settle[] a substantive legal issue with broad applicability." Br. of Pet'r 15. District courts are not normally called upon to assess the legal significance of their rulings, let alone make a projection as to how a ruling will impact parties, or entire industries, not before the court. Kirtsaeng makes no suggestions as to how a district court could, prospectively, make this determination, and his examples of the cases that would merit fees under his rule demonstrate precisely the problem with its implementation. In describing "natural candidates" for the award of fees under § 505, Kirtsaeng cites "the *Aereo*s, *Eldred*s, *Sony*s, and *Campbell*s," all cases in

which this Court granted certiorari and eventually ruled. Br. of Pet'r 41. But historic examples of cases that eventually required resolution by this Court are, of course, no use to a district court who cannot predict with any certainty whether its decision will cause a major shift in the law, or eventually reach this Court. Bereft of a workable framework or context for determining what constitutes a copyright decision of particular legal significance, district courts could well reach disparate and conflicting outcomes if Kirtsaeng's rule were adopted.

***

The district court conducted exactly the type of fact-based, discretionary analysis that *Fogerty* and § 505 call for, and after considering every conceivable factor that could impact the fee decision – including the three proffered by Kirtsaeng – it determined that an award of attorney's fees was not appropriate here. This Court should now reaffirm that objective reasonableness can play a substantial role in the § 505 analysis in connection with consideration of all other relevant factors.

CONCLUSION

For the foregoing reasons, the decision below should be affirmed.

March 23, 2016

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IN THE
Supreme Court of the United States

SUPAP KIRTSAENG DBA BLUECHRISTINE99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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INTRODUCTION[1]

Let's be clear what the Second Circuit's *Matthew Bender* standard is. *Matthew Bender* requires courts to assign "substantial weight" to a single factor, objective reasonableness. Whether to do so is not a case-by-case determination; failure to assign that weight in any case is an abuse of discretion. And once the district court finds that the losing party's claim is at least barely reasonable, it may not award fees unless it identifies other factors that "outweigh" the "substantial weight" *Matthew Bender* places on the other end of the scale. The Second Circuit invented that framework and is alone in applying it.

Our opening brief explains how the *Matthew Bender* standard is basically an exceptional case rule, limiting district court discretion to cases in which the loser deserves punishment. Wiley swears that it is not true—that even where the court considers the losing party to be blameless, it may award fees to the winning party. How many cases does Wiley cite proving it? Zero. We haven't found any either. Not once in 15 years of *Matthew Bender*.

If this rule were the law, § 505 would have no role in any serious copyright case. That makes no sense. Congress's goal was to modify the American Rule to encourage parties who ordinarily could not afford to bear their fees to assert or defend their rights. *Matthew Bender* destroys that promise, to the

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[1] This brief will abbreviate our Brief for Petitioner "OB," Wiley's Brief of Respondent "Resp.," and the Brief for the United States as Amicus Curiae "SG."

benefit of no one but wealthy litigants and trolls who use the massive cost of litigation as leverage. Nothing in the text or history of § 505 or the purposes of the Copyright Act contemplates that perverse result.

The proper standard grants district courts discretion to consider, and assign appropriate weight to, all relevant factors in evaluating whether the prevailing party's litigation has advanced the purposes of the Copyright Act. That, as this Court explained in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994), is the litigation Congress wanted to encourage. The purposes-of-the-Act standard, developed in the Ninth Circuit in the 20 years since *Fogerty*, is not a rule of "jurisprudential importance"—as Wiley labels it—nor is it the British Rule. Wiley's rhetoric has no basis in the case law. Or, for that matter, our brief, which discusses the relevant incentives and factors at play in copyright litigation at length, and endorses a standard that weighs each one, case by case.

Wiley consumes pages trying to spin the district court's opinion in hopes of persuading this Court to review that opinion rather than the Second Circuit's. It also questions the reasonableness of the efforts of Kirtsaeng's lawyers to win the case, an obviously irrelevant question at this juncture. (We do note that Wiley does not reveal how much time its lawyers devoted to the case—only the flat, bargain-basement fee its law firm charged for the firm's own business reasons.) This case is about the standard announced in *Matthew Bender & Co. v. W. Publ'g Co.*, 246 F.3d 116 (2d Cir. 2011), that constrained both the district court and the court of appeals to deny Kirtsaeng every penny—including the $90,000 he paid to his law-

yer and the $26,000 he still owes. The district court, explicitly following *Matthew Bender*'s marching orders, gave controlling weight to the reasonableness of Wiley's losing claim and gave the back of its hand to Kirtsaeng's victory. That is the wrong approach. This Court should reverse.

ARGUMENT

I. The Second Circuit's One-Size-Fits-All Presumption Finds No Support In § 505's Text Or History, The Copyright Act's Purposes, Or The Case Law.

Everyone agrees that Congress's goal in modifying the American Rule was to encourage parties to litigate meritorious claims and defenses with a realistic prospect of a fee award when they win. *See* Resp. 46 (conceding "agreement"). Wiley tries on several theories of why Congress, despite declining to say so in the statutory text, would have pursued that goal by dictating that a losing party's "objectively reasonable" argument is always entitled to substantial weight. None persuades, at bottom because none can answer the *Matthew Bender* paradox: If Congress enacted § 505 to encourage important litigation, why would Congress have disabled § 505, in favor of the American Rule, in the very cases it hoped to encourage?

There is no puzzle here. Congress did not tacitly dictate enhanced weight for objective reasonableness over all other factors in § 505. The *Matthew Bender* standard is just another misguided experiment in judicial engineering, like the one this Court rejected

two terms ago in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014). It should scuttle this one too.

A. Wiley fails to reconcile the Second Circuit's presumption with the statutory text.

This section on statutory text can be brief, because Wiley's textual analysis is, well, nonexistent. Wiley offers no response to two key textual points:

First, Congress used the word "may" in § 505, and did not indicate in any way that it intended to promote a loser's reasonableness above other factors. *See* OB 19-20, 23.

Second, Wiley does not dispute that the *Matthew Bender* rule is nearly identical to the "exceptional case" standard, which also revolves largely around "the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated." *Octane Fitness*, 134 S. Ct. at 1756. And Wiley fails to explain why a Congress that intended to elevate the same reasonableness principle would not have adopted some variation of the "exceptional case" standard that it had engrafted onto the Patent Act and Lanham Act. *See* OB 26-27

B. No settled practice trumps the statutory language.

In place of a textual argument, Wiley asserts that "[c]ourts have long given objective reasonableness substantial weight ... and Congress intended to continue that practice in Section 505." Resp. 24. But Wiley's sources do not support a settled practice elevating objective reasonableness over all other factors, much less congressional awareness of one.

1. This Court has been here before. In *Fogerty*, the copyright holder invoked the very same case Wiley invokes, *Lorillard v. Pons*, in support of the proposition that "Congress is presumed to be aware of a[] ... judicial interpretation of a statute and to adopt that interpretation when it re-enacts a statute without change." Resp. 28 (citing *Lorillard*, 434 U.S. 575, 580 (1978)). This Court *rejected* the plaintiff's congressional ratification argument. *See Fogerty*, 510 U.S. at 527-32. So it is odd that Wiley would build its argument around an assertion that *Fogerty* "look[ed] to pre-1976 practice to determine the meaning of § 505 (citing *Lorillard*)." Resp. 28. Wiley travels the same doomed path, repackaging the same rejected evidence, to support its rule.

Case Law. Wiley says "examples are legion" of cases giving "substantial—indeed frequently dispositive—weight to the objective reasonableness of the losing party's position." Resp. 24-26 & n.3. Eight cases total—from only three circuits and one district

court—is hardly even a gaggle, much less a "legion."[2] And anyway. none of the cases states anything like the *Matthew Bender* rule. Four cases deny fees to prevailing defendants because the plaintiffs' positions were reasonable; two award fees to prevailing defendants because the plaintiffs' positions were unreasonable; and two award fees to prevailing plaintiffs because the defendants' positions were unreasonable. The four grants of fees are meaningless: Under any standard, an unreasonable argument will warrant a fee award. And all eight are nothing but particular instances of a court exercising its discretion to find objective reasonableness (or the absence of it) significant. Sure, that happened from time to time—as it would under the standard we propose. But that does not mean that courts adopted a hard-and-fast requirement applicable in all cases that this factor is assigned a specific weight.

Notably, Wiley's "legion" of eight is much slimmer than the losing showing that its counterpart made in *Fogerty* in defending the dual standard. The copyright owner there made the exact same argument and cited all Wiley's cases but one, plus 23 others. Brief for the Respondent, *Fogerty v. Fantasy, Inc.*, No. 92-1750, 1993 WL 434313, at *40-46 & n.34 (1993). This Court found this legion (four times the

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[2] Wiley cites old versions of *Nimmer on Copyright* purporting to identify a bright-line rule that fees are never awarded in close cases. But *Nimmer* cites just three cases, two already cited by Wiley. *See* Melville B. Nimmer, *Nimmer on Copyright* § 161 n.225 (1964); 2 Melville B. Nimmer, *Nimmer on Copyright* § 161 n.225 (1972). And Wiley offers no reason to believe Congress silently adopted whatever *Nimmer* says.

size of Wiley's) insufficient, simply because "not all courts expressly described the [plaintiff's] test in those terms." 510 U.S. at 531-32. Same here.

In any event, there are many more cases in which courts—including the very same courts Wiley invokes—awarded fees or denied them without mentioning objective reasonableness at all. *E.g.*, *Toksvig v. Bruce Pub. Co.*, 181 F.2d 664, 667-68 (7th Cir. 1950); *Marks v. Leo Feist, Inc.*, 8 F.2d 460, 461 (2d Cir. 1925); *Edward B. Marks Music Corp. v. Foullon*, 171 F.2d 905, 908 (2d Cir. 1949); *N. Music Corp. v. King Record Distrib. Co.*, 105 F Supp. 393, 401 (S.D.N.Y. 1952); *Stonesifer v. Twentieth Century-Fox Film Corp.*, 48 F. Supp. 196, 200 (S.D. Cal. 1942); *Cory v. Physical Culture Hotel*, 14 F. Supp. 986, 986 (W.D.N.Y 1936); *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 123 (2d Cir. 1930); *Fred Fisher, Inc. v. Dillingham*, 298 F. 145, 152 (S.D.N.Y. 1924); *F.A. Mills, Inc. v. Standard Music Roll Co.*, 223 F. 849, 853 (D.N.J. 1915).

Revision Studies. Wiley next turns (at 27-28) to two studies on copyright damages prepared for the Subcommittee on Patents, Trademarks, and Copyrights—the Strauss Study and its supplement, the Brown Study. William S. Strauss, *The Damage Provisions of the Copyright Law*, 86th Cong., 2d Sess. 1 (Comm. Print, Copyright Law Revision Study No. 22, 1960), *available at* http://www.copyright.gov/history/studies/study22.pdf; Ralph S. Brown, Jr., *The Operation of the Damage Provisions of the Copyright Law: An Exploratory Study*, 86th Cong., 2d Sess. 59 (Comm. Print, Copyright Law Revision Study No. 23), *available at* http://www.copyright.gov/history/

studies/study23.pdf. This, too, is a page straight from the losing playbook in *Fogerty*. There, this Court rejected the studies, noting that they "deal only briefly with the provision for the award of attorney's fees," 510 U.S. at 528, and cite cases that "offer various reasons for awarding or not awarding attorney's fees to the prevailing party," *id.* at 529 n.14.

Wiley claims that the Strauss Study "confirms that the pre-1976 practice made objective reasonableness a key criterion" because the study says that the discretion to grant fees has been "'judiciously exercised.'" Resp. 28 n.4 (quoting Strauss Study at 31). That is obviously not the same. Wiley does not bridge the gap by noting that two of the cases the Strauss Study cites in footnote 243 weigh objective reasonableness heavily. Resp. 28 n.4 (citing Strauss Study at 31 n.243). The footnote contains *14* more cases that Wiley does not endorse.

The Brown Study, which was a "supplement to the Strauss Study," *Fogerty*, 510 U.S. at 530, does not help Wiley either. The single passage Wiley amplifies (at 27) is from a paragraph relating the "prevailing opinion among lawyers interviewed" for the study, Brown Study at 85—"about 25 lawyers experienced in copyright matters," *id.* at 64. As *Fogerty* noted (but Wiley omits), the Brown Study explicitly states that its "observations about attorney's fees are not intended as an exhaustive treatment of the subject." Brown Study at 85; *see Fogerty*, 510 U.S. at 531 n.15. The Brown Study also reports that "[t]he cases disclose a variety of miscellaneous reasons for denying fees." Brown Study at 85-86. And, Wiley fails to mention, the Brown Study lists fee provisions in oth-

er areas of law—including the Patent Act's "exceptional case" provision—and explains that "[t]he Copyright Act differs from all these neighboring fields in that the allowance ... is entirely a matter of judicial discretion." *Id.* at 84.

2. Wiley's ratification argument also fails because it ignores the most reliable evidence—evidence of what Congress actually did when it confronted a settled judicial interpretation in the patent context.

The fee provision in the 1946 Patent Act was identical to the one in the 1909 and 1976 Copyright Acts: A court "may in its discretion award reasonable attorney's fees to the prevailing party." Pub. L. No. 79-587, 60 Stat. 778. But when Congress revised the Patent Act in 1952, it added the proviso that a district court could award fees only in "exceptional cases." Pub. L. No. 82-593, 66 Stat. 792, 813. The Senate Report explained that the new provision was meant to "express[] the intention of the present [1946] statute as shown by its legislative history *and as interpreted by the courts*." S. Rep. No. 1979, 82d Cong., 2d Sess. 30 (1952) (emphasis added). In other words, when Congress concluded that the courts had adopted a uniform exceptional case standard, Congress was not content with tacit ratification. It revised the provision to make its prescription clear.

Wiley does not dispute that Congress was aware of the Patent Act's fee provision. After all, both the Strauss and Brown studies, which Wiley insists Congress read, specifically contrast that standard with the Copyright Act provision. Strauss Study at 31 n.243; Brown Study at 84. Congress was certainly

more aware of the Patent Act treatment than of dozens of reported cases scattered across the decades. Judging from Congress's past behavior, if it had believed that a rule like Wiley's was settled, it would not have been satisfied leaving the language as is and hoping that courts would read between the lines; it would have done what it did in the Patent Act revisions and made the standard explicit.

C. The Second Circuit's standard does not advance the Copyright Act's purposes.

Aside from the text of the rule, all agree that the next most important touchstone is the purposes of the Copyright Act. Wiley argues that elevating objective reasonableness over all other factors "perfectly tracks the guidance provided by *Fogerty*," Resp. 30, and "encourag[es] the litigation of close questions," Resp. 35. It is wrong.

1. Wiley starts by misreading several cues in *Fogerty*. It sees a big clue in footnote 19, noting that "of the four factors that this Court highlighted in *Fogerty* ..., two of them concerned the reasonableness of the losing party's position." Resp. 31. From that Wiley surmises that this Court intended to elevate that one concept over all others and assign it a predetermined weight in every case.

To the contrary, footnote 19 merely quotes several "nonexclusive factors" from one circuit case as an "example" of "factors that courts should consider." This Court did not "highlight"—much less "*twice* emphasize[]"—any particular factor. Resp. 31 (emphasis in original). The standard it quoted favors no

factor over any other, and this Court made clear that other factors would apply. 510 U.S. at 534 n.19. Anyway, the two factors Wiley emphasizes involve the *weakness* of a losing party's argument, its *un*reasonableness or frivolousness. Of course, the presence of those factors will often support an award. It does not follow that their absence weighs "substantially" against one.

Wiley also latches onto *Fogerty*'s quotation of the Brown Study discussed above (at 8-9). Resp. 32. But the Court was not endorsing the Brown Study's suggestion of a punishment-based standard; it was noting that the Brown Study did not speak in terms of a dual standard. 510 U.S. at 531. In the very next paragraph, the Court specifically *rejected* case law stating that fee awards are a "penalty" for an "unreasonable suit," calling that view "too narrow." *Fogerty*, 510 U.S. at 532 & n.18.

In fact, if the Court in *Fogerty* had considered objective reasonableness the most important factor, it would have come out the other way. The Ninth Circuit had affirmed denial of a fee award to the defendant on the ground that the plaintiff's claim was "not brought frivolously or in bad faith," 510 U.S. at 520. If this Court believed that was the correct rule, it would have affirmed, and maybe added the caveat that the same rule applies when plaintiffs win, too. That would have been the *Matthew Bender* rule. Instead the Court reversed, walking through the purposes of the Copyright Act, describing the ways in which litigation serves those purposes, and directing district courts to apply any relevant factor "in light of th[ose] considerations." *Id.* at 534.

2. Without text, history, or *Fogerty* on its side, Wiley looks for a "deeper connection" between the Second Circuit presumption and the purposes of the Copyright Act. Resp. 32. It maintains that the Second Circuit's rule "*encourages* litigation of the hard and close questions" and "appropriately *discourages* litigation of weak claims and defenses." Resp. 33 (emphasis in original). The second half we can ignore: All standards, including ours, discourage weak positions by shifting fees onto parties that maintain them. OB 48-49. It is the first half that matters, since *Fogerty* makes clear, as Wiley concedes (at 30), that Congress wanted to encourage meritorious claims and defenses alike. Here Wiley falls short.

The problem with Wiley's argument is that it zeroes in on just one possible dynamic: that "awarding fees to a prevailing party increases the risk associated with litigation, and thus chills litigation to the extent that a party's chance of prevailing is uncertain or doubtful." Resp. 33. Wiley's simplistic point is that a litigant in a close case will be to some extent deterred from litigating if there is a chance of losing and paying its opponent's fees. Resp. 34. Well sure, the risk of paying the other side's fees is part of any party's expected value calculus.

But so are other dynamics. There is also the countervailing chance of winning and *receiving* a fee award, which gives parties greater incentives to litigate. And then, of course, there is the risk of winning or losing the case and having to bear one's own fees, as under the American Rule, or a restrictive fee standard like Wiley's.

As *Fogerty* explained in detail, Congress cared at least as much about those incentives. It adopted § 505 because it wanted to encourage litigation that clarified the Act's contours, and that promoted creation and dissemination of creative works. OB 18-19. It was concerned that the cost of litigation was prohibitive for many parties who would advance such claims. So it enacted a provision that incentivizes those parties with the prospect of a fee award. Wiley has never suggested that Congress's purpose was anything else—in fact, it concedes it is "in agreement" with all of this. Resp. 46. So its argument, in essence, is that Congress modified the American Rule to encourage parties to litigate close cases, but disabled that very provision in all of those cases. That makes no sense.

One of Wiley's own citations proves its logical fallacy. Wiley cites an article by Judge Posner as support for its theory that awarding fees in close cases will inevitably chill litigation of close issues. Resp. 33 (citing Richard A. Posner, *An Economic Approach to Legal Procedure and Judicial Administration*, 2 J. Legal Stud. 399, 428 (1973)). So if Wiley's theory holds, we would expect Judge Posner to conclude that something like the Second Circuit rule would best encourage beneficial copyright litigation.

The reality is the opposite. In actual judicial opinions, Judge Posner has rebuked circuits that have adopted rules like Wiley's. *See Eagle Servs. Corp. v. H2O Indus. Servs., Inc.*, 532 F.3d 620, 624-25 (7th Cir. 2008). He has discussed several incentives that are quite different from the single one Wiley emphasizes. *See Assessment Techs. of WI, LLC*

v. WIREdata, Inc., 361 F.3d 434, 436-37 (7th Cir. 2004). With Judge Posner and Judge Easterbrook in the lead, the Seventh Circuit follows a generous fee shifting standard, not a crabbed and cautious one like Wiley's. *See id.*; *Riviera Distribs., Inc. v. Jones*, 517 F.3d 926, 928 (7th Cir. 2008). Wiley has no claim to economic legitimacy.

Considering the full range of litigation dynamics, Wiley proposes a standard that does not encourage litigation that advances the Copyright Act's aims, but rather one that advances Wiley's own litigation agenda. A behemoth like Wiley can afford to pay its own fees. But what if you are a starving artist, a startup, or simply an individual who cannot afford tens or hundreds of thousands in counsel fees? *See* American Intellectual Property Law Association, *2015 Report of the Economic Survey* 39 (June 2015) (reporting median cost of a copyright suit at $250,000 for a case worth less than $1 million). Then you would not dare litigate against Wiley unless you have a decent chance of a fee award; without that prospect, even a win would leave you broke. In that circumstance, the American Rule yields the wrong incentives, namely immense pressure on smaller parties to capitulate and settle regardless of the merits. Great for Wiley. Bad for smaller litigants and the public.

Congress recognized that different cases present different litigation dynamics. That is why it conferred broad discretion. It makes no sense to adopt a rule that presumes that one incentive will always be the most salient. Congress would never have ap-

proved such artificial limitations on district court discretion.

3. Implicitly conceding this, Wiley pledges that the Second Circuit's standard does not pretermit district court discretion at all. Resp. 35-40. It insists that the Second Circuit has not fetishized objective reasonableness, claiming that "other factors can carry the day." Resp. 21.

Except that they never have. Not once. *Matthew Bender*'s suggestion that it is an abstract possibility, 240 F.3d at 122, is meaningless if it is not borne out in practice. In practice, in the 15-year history of the *Matthew Bender* standard, district courts in the Second Circuit have decided scores of fee applications under § 505. Not one has ever found that other factors carry the day.[3]

4. Finally, Wiley cites a series of cases about other statutes—with other purposes—insisting that their holdings support its proposed rule "given ... the prominence of the reasonableness inquiry in other fee award contexts." Resp. 31 n.5. But those cases undermine Wiley's position.

Two of the cases applied statutes that expressly incorporated a reasonableness inquiry in the statu-

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[3] Wiley cites (at 40 n.9) one gotcha counterexample. But the exception proves the rule. The case merely confirms that sometimes even more culpable (and independently sanctionable) behavior like "bad faith" tactics will justify an award even where a position itself is objectively reasonable. *See Viva Video, Inc. v. Cabrera*, 9 F. App'x 77, 80 (2d Cir. 2001). That hardly proves that *Matthew Bender* is a "flexible standard." Resp. 38.

tory text. *See Cloer v. Sec'y of H.H.S.*, 675 F.3d 1358, 1360 (Fed. Cir. 2012) (quoting 42 U.S.C. § 300aa-15's "good faith" and "reasonable basis" requirements); *Griffon v. U.S. Dep't of H.H.S.*, 832 F.2d 51, 53 (5th Cir. 1987) (quoting 28 U.S.C. § 2412's "substantially justified" limitation). Congress made a different choice in § 505.

A third case notes that "whether the Government had a reasonable basis for withholding requested information" is among the "criteria" relevant to the award of fees under the Freedom of Information Act. *See Burka v. U.S. Dep't of H.H.S.*, 142 F.3d 1286, 1288 (D.C. Cir. 1998). Right—*one* criterion, in a list of others, including, for example, "the public benefit derived from the case." *Id.* at 1288. That looks much more like our proposed standard than Wiley's.

Finally, Wiley cites *Martin v. Franklin Capital Corp.*, which announces a rule for removal cases that permits the award of fees "only where the removing party lacked an objectively reasonable basis for seeking removal." 546 U.S. 132, 141 (2005). As we explained in our opening brief (at § II.D), this rule is tied directly to the purposes of the removal statute, which differ greatly from the purposes of the Copyright Act. Wiley offers no response. (The Government suggests that both statutes have the same purpose. SG 20-21. But it buries the obvious difference in a footnote: The removal statute authorizes fees only against a defendant who has improperly removed. SG 21 n.6. So it is unconcerned with encouraging anything, nor indeed with any of the incentives on the plaintiffs' side of the v.)

D. The Second Circuit's presumption dramatically favors plaintiffs over the run of cases.

Wiley does not dispute that copyright scholars believe that the Second Circuit's punishment-based standard is just the dual standard in disguise. OB § II.B. It just ignores the common wisdom and insists—without providing evidence of its own—that our "evenhandedness criticism is ... wrong." Resp. 43. The proof is in the pudding.

In our opening brief, we cited an article and survey documenting that, across the country, plaintiffs receive fees 89% of the time while defendants receive fees only 61% of the time, and specifically attributing the disparity to fee standards founded in the culpability (or not) of the losing party's claim. OB 29 (citing Jeffrey Edward Barnes, Comment, *Attorney's Fee Awards in Federal Copyright Litigation After* Fogerty v. Fantasy, 47 UCLA L. Rev. 1381, 1383 (2000)). Wiley does not dispute these numbers.

Instead, Wiley takes us to task for not citing a line in that article stating that the numbers for defendants were up to 80% in the Second Circuit in the five years after *Fogerty*. Resp. 44. But Wiley fails to mention that those five years were pre-*Matthew Bender*! That sheds no light on how courts behave under *Matthew Bender*.

Wiley was free to present statistics for the 15 years since *Matthew Bender*. If it had examined the 178 cases, they would have disclosed that accused infringers who prevailed and sought fees have received

them 45% of the time. Prevailing copyright holders: 86%. (Should the Court request, we will submit a digest of the survey data.) The numbers speak for themselves. Wiley's surmise, based on two cases, that "weak defenses are more common than weak claims" because of the "Internet," Resp. 45-46, does not come close to explaining away the disparity.

E. Wiley's dressed-up summary of the district court opinion does not save the Second Circuit's standard.

Wiley insists that the district court here considered and balanced all the relevant factors. Resp. 40-42. Wiley does not deny that the court applied the *Matthew Bender* standard in full force. Instead, it insinuates that the scale was not somehow tilted by the Second Circuit's heavy thumb. But application of an incorrect legal standard is an abuse of discretion, and the influence of the *Matthew Bender* standard is plain from the face of the district court's opinion.

Wiley maligns our contention that the district court "devoted less than a sentence to Kirtsaeng's substantive positions, the result he obtained, the victory's wide-ranging impact, and the financial imbalance he confronted," OB 3, as "simply false," Resp. 3. But it is plainly true. When it came to actually applying the test, the district court's discussion of these factors combined was limited to the statement that "[w]hile ...this litigation clarified the boundaries of copyright law, this result is due as much to Wiley's risk in bringing the claim as to Kirtsaeng's successful defense." Pet. App. 18a. It dismissed factors going to "the degree of success obtained" and the "financial

disparity between the parties" as "consideration[s] more relevant to determining the magnitude of an award once it has been resolved that such an award is appropriate." *Id.* at 23a (quotation marks omitted). This despite *Fogerty*'s admonition that courts should consider any relevant factor that is "faithful to the purposes of the Copyright Act," 510 U.S. at 534 n.19.

Meanwhile, the pages Wiley cites as dealing with "considerations other than objective reasonableness" reveal a slanted and incomplete analysis, the kind one would expect only when the conclusion leads the way. For example, Wiley, echoing the district court, says that high litigation costs are irrelevant to Kirtsaeng because Orrick represented him pro bono before this Court. Resp. 41 (quoting Pet. App. 19a). That, of course, ignores all of the litigation that took place before the Supreme Court stage, when Kirtsaeng paid counsel to press on despite a series of defeats. In any event, Wiley conceded that Orrick's pro bono representation is irrelevant, *see* Cert. Reply at 11, and the Second Circuit went out of its way to reject the notion that pro bono representation weighs against a fee award as "counter to *Fogerty*," Pet. App. 5a n.2.

Wiley also argues that Kirtsaeng "had a powerful financial incentive to litigate" because victory would allow him to continue to import textbooks into the United States and sell them. Resp. 41 (quoting Pet. App. 20a). As Wiley knows, Kirtsaeng did win, and he is now a teacher in Thailand. Pet. App. 34a. Neither Wiley nor the district court supported the notion with evidence of how valuable this "powerful financial incentive" was. In any event, the district

court did not even adopt Wiley's argument that Kirtsaeng faced no risk, perhaps because Kirtsaeng faced a $600,000 judgment, accompanied by an order confiscating his computer, printer, and golf clubs, JA 8. These stakes would be low risk for Wiley, but for a grad student this is quite the setback.

Speaking of Wiley, where is discussion of its risks and incentives? The district court apparently found that Kirtsaeng's clarification of copyright law owed as much to Wiley's brave decision to soldier on as to Kirtsaeng's decisions, but it did not actually analyze Wiley's side of things. What if, say, Wiley was on a several-years-long campaign to establish this point of law? OB 6. What does Wiley's size and litigation warchest suggest about *its* ability to bear fees? What did Wiley have to gain by prevailing? Noting those incentives is not, as Wiley protests, "accusing [it] of acting improperly by seeking to protect its intellectual property." Resp. 41 n.10. It is just considering both sides' risks and incentives, an essential inquiry if a court's decision depends on the sort of two-to-tango reasoning the district court employed here.

But the district court never conducted the inquiry—it assumed the conclusion.

II. The Purposes-Of-The-Act Standard Best Serves The Act's Large Objectives.

Wiley's short critique of the standard we propose—the Ninth and Eleventh Circuit's purposes-of-the-Act framework—begins with spin. Wiley says that standard "would displace a factor—objective

reasonableness—that has been at the heart of the copyright fee award analysis for more than a century with a newly-fashioned factor—'jurisprudential importance.'" Resp. 22. All wrong. The purposes-of-the-Act standard does not displace anything; objective reasonableness is a factor under that standard, OB 48-49, and Wiley concedes that the cases applying the standard reflect this, Resp. 49. Meanwhile, the only thing "newly fashioned" about considering the extent to which a substantive result furthers the purposes of the Copyright Act is Wiley's own overcooked label—"jurisprudential importance." Consideration of whether a result advances the Act's aims comes straight from *Fogerty* and was applied by the Ninth Circuit on remand from that case (which Wiley ignores). OB 45-46.

Congress adopted § 505 to give district courts the discretion to award fees that encourage beneficial litigation. A flexible, multi-factored test aimed directly at that target best honors that intent.

A. Wiley's critique of the purposes-of-the-Act standard rests on the same misunderstanding of congressional intent and litigation incentives.

Wiley's principal argument to the contrary is based on the same simplistic syllogism deployed in defense of its own rule: Litigation of close cases is good; the prospect of paying the other side's fees is a disincentive to litigate those cases; so fees should never be awarded in a close case. Resp. 47-48; *see* Resp. 33-34. And the response is the same: Wiley is fixating on one side of the equation, without consid-

ering the other. This syllogism is at least as apt: Litigation of close cases is good; the prospect of receiving a fee award is an incentive to litigate such cases; so fees should always be awarded in a close case. Considered in a vacuum, they are equally plausible.

So which of the two is correct? Well neither, of course, because each ignores other case-specific variables informing the parties' risk calculus. That is why any standard must permit district courts to consider all relevant factors without predetermined weights. OB 30-33, 48-50; *supra* 12-15.

But what if we ask a different question: Which of the two—avoiding disincentives (Wiley's view) or providing incentives (ours)—did *Congress* care about when it enacted § 505? As we have explained (at 13), the answer there is obvious: plainly the latter. If Congress wanted to encourage litigation that furthers the purposes of the Act, and it agreed with Wiley that not shifting fees in close cases was the best way to encourage parties to litigate those cases, it would have just left the American Rule intact and never enacted § 505 at all. So Wiley's syllogism cannot possibly be the answer.

The proper standard focuses on whether the result the prevailing party achieved is the sort that advances the purposes of the Copyright Act, and then considers whether the incentives for that party are such that a fee award will meaningfully encourage such beneficial litigation.

B. The purposes-of-the-Act standard is not the British rule, nor is it difficult to apply.

Wiley lobs in two additional critiques—both flawed.

First, Wiley claims that the purposes-of-the-Act standard "while not fully replicating the British Rule, goes much of the way there." Resp. 51. Referring to the discussion in our brief sketching the extent to which certain types of copyright victories might advance the Act's purposes, Wiley depicts the purposes-of-the-Act standard as leading to denial of fees only "where a losing party makes an objectively reasonable argument in a case of 'localized significance' or concerning a technical issue of 'copyright formalities.'" Resp. 51 (quoting OB 49).

That is another straw man. The purposes-of-the-Act standard, as we explained, "leaves the district court in a particular case free to decide the extent to which a particular result" advances the Act's purposes. OB 41. "There is no per se rule, presumption, or one-size-fits-all prescription." OB 41. Wiley offers no evidence that the purposes-of-the-Act rule has functioned like the British Rule in the Ninth or Eleventh Circuits. It almost certainly would not, since so many copyright cases *do* involve the run-of-the-m'll application of established law to facts.

Second, Wiley maintains that district courts are incapable of assessing whether a substantive result advances the purposes of the Copyright Act. Resp. 52-54. Courts consider the impact of their rulings all

the time in making fee determinations. Under Title VII, for example, "the most critical factor is the degree of success obtained." *Hensley v. Eckerhart*, 461 U.S. 424, 436 (1983). Under FOIA, as noted above (at 16), courts consider "the public benefit derived from the case." And, of course, we cited several examples of courts making determinations as to whether a result advances the purposes of the Copyright Act. OB 41, 45, 48.

Contrary to Wiley's assertion, district courts are perfectly capable of figuring out whether a case "'settle[s] a substantive legal issue with broad applicability.'" Resp. 53 (quoting OB 15). That is the core of our proposal, not whether a case will "eventually reach this Court," Resp. 54, and not whether it will have "'seismic significance for a particular industry,'" Resp. 53 (quoting OB 15). In any event, there is no need for concern that district courts cannot "predict the likelihood" of these outcomes. Resp. 53. District courts typically defer fee applications until appeals have run their course, as the court did here, since it rarely makes sense to resolve a fee application before it is clear which party has prevailed.

CONCLUSION

This Court should reverse the judgment of the court of appeals.

Respectfully submitted,

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In the Supreme Court of the United States

SUPAP KIRTSAENG, DBA BLUECHRISTINE99, PETITIONER

v.

JOHN WILEY & SONS, INC.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE SUPPORTING RESPONDENT

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QUESTION PRESENTED

Whether the district court abused its discretion under 17 U.S.C. 505, which permits an award of attorney's fees to a prevailing party in a civil action under the Copyright Act of 1976, by giving "substantial weight" in its analysis to the objective reasonableness of the losing party's position.

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In the Supreme Court of the United States

No. 15-375

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v.

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ON WRIT OF CERTIORARI
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BRIEF FOR THE UNITED STATES AS AMICUS CURIAE SUPPORTING RESPONDENT

INTEREST OF THE UNITED STATES

This case involves the interpretation of 17 U.S.C. 505, which authorizes district courts to award attorney's fees in suits under the Copyright Act of 1976, 17 U.S.C. 101 *et seq.* (Copyright Act). Several federal agencies have an interest in the practical operation of the copyright system and in the proper interpretation of the copyright laws. See, *e.g.*, 17 U.S.C. 701 (Copyright Office); 35 U.S.C. 2(b)(8) and (c)(5) (Patent and Trademark Office). The United States therefore has a substantial interest in the Court's disposition of this case.

STATEMENT

The question presented in this case concerns the criteria that a district court should consider in deciding whether to award attorney's fees to a prevailing party in a civil action under the Copyright Act. The

district court denied the fee request at issue here, and the court of appeals affirmed. In determining whether fees should be awarded, both courts applied an approach that gives substantial weight to the reasonableness of the losing party's arguments on the merits, while also mandating consideration of all relevant circumstances and recognizing that an award of fees may be proper even if the losing party's position was reasonable. See Pet. App. 4a-5a, 13a-14a.

1. a. The Copyright Act grants copyright protection to "original works of authorship fixed in any tangible medium of expression." 17 U.S.C. 102(a); see U.S. Const. Art. I, § 8, Cl. 8 ("Congress shall have Power" to "promote the Progress of Science * * * by securing [to Authors] for limited Times * * * the exclusive Right to their * * * Writings"). Copyright protection confers on the author of an original work certain exclusive statutory rights, including the rights to copy, distribute, and display the work. 17 U.S.C. 106; see 17 U.S.C. 109(a).

The "owner of an exclusive right under a copyright" that has been registered with the Copyright Office "is entitled * * * to institute an action for any infringement of that particular right committed while he or she is the owner of it." 17 U.S.C. 501(b); see 17 U.S.C. 411. A prevailing plaintiff in such a suit "is entitled to recover * * * actual damages" or statutory damages and may also seek injunctive remedies. 17 U.S.C. 504; see 17 U.S.C. 502-503.

For more than 100 years, U.S. law has authorized trial courts to award costs and attorney's fees to the prevailing party in a copyright suit. The Copyright Act of 1909 provided that "in all actions, suits, or proceedings under this Act, except when brought by or

against the United States or any officer thereof, full costs shall be allowed, and the court may award to the prevailing party a reasonable attorney's fee as part of the costs." Ch. 320, § 40, 35 Stat. 1084. That provision was carried forward in 1947, when the Copyright Act was codified in Title 17 of the U.S. Code. See Act of July 30, 1947 (1947 Act), ch. 391, § 116, 61 Stat. 665.

In 1976, when enacting a substantial revision of copyright law, Congress made costs discretionary rather than mandatory but left essentially unchanged the existing language authorizing attorney's-fee awards. See Copyright Act, Pub. L. No. 94-553, Tit. I, § 505, 90 Stat. 2586; see also *Fogerty* v. *Fantasy, Inc.*, 510 U.S. 517, 523 (1994). That provision, which has not subsequently been amended, states that in a copyright action, "the [district] court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof." 17 U.S.C. 505. It further states that, "[e]xcept as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs." *Ibid.*

b. In *Fogerty*, this Court considered "what standards should inform a court's decision to award attorney's fees" under Section 505 "to a prevailing defendant in a copyright infringement action." 510 U.S. at 519. The underlying infringement suit in *Fogerty* had culminated in a jury verdict for the defendant, who then sought to recoup the fees that he had incurred. *Id.* at 520. The Court held that, unlike the fee-shifting provisions of the Civil Rights Act of 1964 and some other federal statutes, Section 505 is not intended to treat prevailing plaintiffs more favorably than prevailing defendants. *Id.* at 524-527, 533. The Court ex-

plained that "it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible," and that "defendants who seek to advance a variety of meritorious copyright defenses should be encouraged to litigate them to the same extent that plaintiffs are encouraged to litigate meritorious claims of infringement." *Id.* at 527.

The Court also rejected the contention that Section 505 was intended to adopt the "British Rule," under which "both prevailing plaintiffs and defendants should be awarded attorney's fees as a matter of course." 510 U.S. at 533. Because Congress "legislates against the strong background of the American Rule," under which "parties are to bear their own attorney's fees" absent contrary legislative direction, the Court believed that such "a bold departure from traditional practice would have surely drawn more explicit statutory language and legislative comment." *Id.* at 533-534.

The Court concluded that, under Section 505, "[p]revailing plaintiffs and prevailing defendants are to be treated alike, but attorney's fees are to be awarded to prevailing parties only as a matter of the court's discretion." 510 U.S. at 534; see *ibid.* ("There is no precise rule or formula for making these determinations.") (citation omitted). In a footnote, the Court stated that "courts following the evenhanded standard have suggested several nonexclusive factors to guide courts' discretion," including "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." *Id.* at 534 n.19 (quoting *Lieb* v. *Topstone Indus., Inc.*, 788

F.2d 151, 156 (3d Cir. 1986)). The Court "agree[d] that such factors may be used to guide courts' discretion, so long as such factors are faithful to the purposes of the Copyright Act and are applied to prevailing plaintiffs and defendants in an evenhanded manner." *Ibid.*

2. a. Respondent publishes academic textbooks for sale in domestic and international markets. Pet. App. 32a-34a. Petitioner arranged for his friends and family in Thailand to purchase editions of respondent's textbooks that were manufactured abroad. *Id.* at 34a. He then imported the purchased copies into the United States and resold them in this country for a profit. *Ibid.*

Respondent sued in the Southern District of New York, alleging that petitioner had infringed respondent's copyrights by importing textbooks made and purchased abroad without respondent's authorization. See 17 U.S.C. 106(3) (copyright owner's exclusive right "to distribute copies" of a copyrighted work); 17 U.S.C. 602(a)(1) (defining as infringement of the right granted by Section 106(3) the unauthorized importation into the United States "of copies * * * of a work that have been acquired outside the United States"). In response, petitioner asserted the first sale defense, under which "the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." 17 U.S.C. 109(a). The district court held that the defense was unavailable because foreign-manufactured goods are not "lawfully made under" Title 17, and the jury found petitioner liable for

$600,000 in statutory damages. Pet. App. 35a. The court of appeals affirmed. *Id.* at 35a-36a.

This Court reversed. Pet. App. 29a-113a. Resolving an issue on which the Court had previously split 4-4, see *Costco Wholesale Corp.* v. *Omega, S.A.*, 562 U.S. 40 (2010) (per curiam), the Court held that "the 'first sale' doctrine applies to copies of a copyrighted work lawfully made abroad." Pet. App. 32a. Justice Ginsburg, joined by Justice Kennedy and (in large part) by Justice Scalia, dissented. *Id.* at 74a.

b. After the Second Circuit entered judgment on remand, Pet. App. 25a-28a, petitioner requested an award of fees under 17 U.S.C. 505 for all phases of the litigation, see Pet. App. 16a n.14 (noting that petitioner sought more than $2 million in fees). The district court denied petitioner's request. *Id.* at 6a-24a.

Relying on *Fogerty*, the district court stated that "[t]he touchstone" of the Section 505 inquiry is whether an award of fees "will further the interests of the Copyright Act," including clear demarcation of "the boundaries of copyright law" to "maximize the public exposure to valuable works." Pet. App. 9a-10a (quoting *Fogerty*, 510 U.S. at 527, and *Mitek Holdings, Inc.* v. *Arce Eng'g Co.*, 198 F.3d 840, 842-843 (11th Cir. 1999)). The court explained that, in the wake of *Fogerty*, the Second Circuit had "emphasized in particular the importance of the objective unreasonableness" of the losing party's position "in guiding the court's discretion as to whether to award attorney's fees." *Id.* at 10a (citing *Matthew Bender & Co.* v. *West Publ'g Co.*, 240 F.3d 116 (2d Cir. 2001)); see *id.* at 10a n.9 (collecting cases). The district court also observed that, under Second Circuit precedent, "other factors may, in some circumstances, outweigh the objective

unreasonableness factor and lead the court to conclude that equity supports a fee award." *Id.* at 13a.

The district court concluded that respondent's infringement claim "was not unreasonable" and that "no other equitable consideration weigh[ed] in favor" of a fee award. Pet. App. 8a. Addressing the considerations noted by this Court in *Fogerty*, the district court explained that respondent's claim "was clearly not frivolous"; that respondent's "motivation was not inappropriate"; that respondent "did not engage in any conduct that equity suggests should be deterred in the future"; and that, "[w]ith regard to compensation, the evidence shows that [petitioner] has not in fact paid, and is not obligated to pay, most of the legal fees sought" and "may now continue his arbitrage business free of the fear of incurring copyright liability." *Id.* at 14a-17a.

The district court also analyzed additional considerations advanced by petitioner in support of his claim for fees. Pet. App. 17a. The court explained that, although this Court's decision in the case had "clarified the boundaries of copyright law," that result was "due as much to [respondent's] risk in bringing the claim as to [petitioner's] successful defense against it." *Id.* at 18a. The court stated that "the degree of success" that petitioner had obtained did not "override" the objective reasonableness of respondent's claim. *Id.* at 20a, 22a. The court also concluded that any "financial disparity" between the parties "does not speak to whether a fee award * * * would further the goals of the Copyright Act," since "it is important to encourage reasonable claims (regardless of a plaintiff's wealth or poverty) as well as meritorious

defenses involving close or novel issues of copyright law." *Id.* at 23a-24a.

c. The court of appeals affirmed the district court's judgment in a brief summary order. Pet. App. 1a-5a. Emphasizing that the standard of review was "highly deferential," the court stated that "[t]he district court is not bound by any 'precise rule or formula'" and should exercise its discretion "in light of the [relevant] considerations," including those noted by this Court in *Fogerty*. *Id.* at 3a (citation omitted; second set of brackets in original). The court of appeals concluded that the district court's "thorough opinion * * * properly placed 'substantial weight' on the reasonableness of [respondent's] position in this case," since imposing fees against a litigant with an "objectively reasonable" position "will generally not promote the purposes of the Copyright Act." *Id.* at 4a (quoting *Matthew Bender*, 240 F.3d at 122).

The court of appeals disagreed with petitioner's contention that the district court had "'fixated' on [respondent's] objective reasonableness at the expense of other relevant factors." Pet. App. 4a (citation omitted). The court of appeals noted the district court's acknowledgment that "other factors may outweigh the objective unreasonableness factor," *ibid.* (citation omitted), and found no abuse of discretion in the district court's "overall conclusion" that those other factors did not justify a fee award "in the circumstances of this case," *id.* at 5a & n.2.[1]

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[1] The court of appeals "respectfully question[ed]" one aspect of the district court's analysis: "the conclusion that considerations of compensation did not favor a fee award because [petitioner] was represented pro bono at the Supreme Court." Pet. App. 5a n.2. In the court of appeals' view, putting weight on that fact could "de-

SUMMARY OF ARGUMENT

A. The Second Circuit's approach to fee-shifting under 17 U.S.C. 505, which treats the objective reasonableness of the losing party's merits position as a particularly significant factor but mandates consideration of all other relevant circumstances as well, reflects a proper understanding of Section 505.

1. Section 505 authorizes district courts to award attorney's fees in copyright cases but does not specify the fee-shifting criteria that courts should apply. In *Fogerty* v. *Fantasy, Inc.*, 510 U.S. 517 (1994), this Court held that Section 505 must be applied in a manner that is neutral as between plaintiffs and defendants, and it identified certain non-exclusive factors that courts can consider.

2. The Second Circuit's approach to Section 505 is consistent with the Copyright Act's purposes as described in *Fogerty*, with longstanding copyright practice, and with the standards that generally apply under other discretionary federal fee-shifting provisions. By emphasizing the objective reasonableness of the losing party's arguments, that approach deters unreasonable arguments and encourages reasonable ones. Because plaintiffs and defendants are equally capable of making both reasonable and unreasonable arguments, the Second Circuit's approach reflects the even-handedness that *Fogerty* demands.

Beginning in 1909, federal law stated that the district court in a copyright suit "may award" attorney's fees to the prevailing party. When Congress was considering revisions to the copyright laws in 1976, Congress was informed that courts applying that

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crease the future availability of pro bono counsel to impecunious litigants." *Ibid.*

provision generally declined to award fees in cases where the losing side's position was reasonable. Because that pattern of judicial decisions was brought to Congress's attention, Congress's re-enactment in 1976 of substantially similar discretionary language indicates approval of the pre-existing framework. Treating objective reasonableness as a particularly significant factor is also consistent with usual understandings of other discretionary fee-shifting provisions. And that approach is highly workable, since the district court in assessing the reasonableness of the losing side's arguments can draw on its prior experience in adjudicating the case on the merits.

3. Contrary to petitioner's contentions, the Second Circuit's approach leaves district courts with adequate discretion and is fully consistent with *Fogerty*. The Second Circuit has consistently recognized that, although the reasonableness of the losing side's position weighs substantially against a Section 505 fee award, the district court should consider all relevant factors and will sometimes be justified in awarding fees even when the losing party's arguments were reasonable. The Second Circuit's standard is facially neutral as between plaintiffs and defendants, and petitioner fails to substantiate his contention that courts within the circuit have applied that standard in a skewed fashion.

B. Petitioner contends that fees under Section 505 should routinely be awarded in cases that ultimately produce important appellate precedents. That approach should be rejected.

1. Nothing in *Fogerty*—a case in which the underlying infringement suit did not produce any precedential opinion at all on the merits of the infringement issue—supports petitioner's approach. Rather, the

Court in that case simply recognized that the successful defense of an infringement suit can serve the Copyright Act's purposes by enabling the defendant to exploit the expressive work that was (wrongly) alleged to be infringing. Petitioner's approach logically suggests that Copyright Act fees should be more readily awarded in cases where appeals are taken (since only an appellate court can issue a precedential opinion); but petitioner cites no case law drawing that distinction under Section 505 or any other federal fee-shifting provision. And because a court's rejection of unreasonable arguments simply reaffirms (rather than meaningfully clarifies) the contours of copyright law, petitioner's approach would have the peculiar effect of treating the reasonableness of the losing side's position as a factor *favoring* a fee award.

2. Even if this Court views the generation of copyright precedent as a specific objective of Section 505, it is wholly unclear whether adoption of petitioner's proposed fee-shifting approach would have that effect. Under petitioner's approach, each litigant in a close case would have greater cause for optimism that it could recoup its own fees if it prevailed, but also greater cause for concern that it would be required to pay its adversary's fees if it lost. It is entirely speculative whether the incentive or disincentive effects of such a regime would predominate.

3. Petitioner's proposed standard would be difficult to administer. Whereas the district court's prior experience in adjudicating a case on the merits will bear directly on the determination whether the losing side's arguments were reasonable, the court may have no particular insight into the jurisprudential or practical significance of any subsequent ruling on appeal.

C. The judgment of the court of appeals should be affirmed, since the district court did not abuse its discretion in declining to award fees in this case. The district court's analysis of the relevant factors, and its ultimate conclusion that a fee award was not warranted, reflected a sound exercise of discretion under an appropriate legal standard.

ARGUMENT

A. The Second Circuit's Interpretation Of Section 505 Is Correct

1. Under the "American Rule," the "prevailing litigant is ordinarily not entitled to collect a reasonable attorneys' fee from the loser." *Alyeska Pipeline Serv. Co.* v. *Wilderness Soc'y*, 421 U.S. 240, 247 (1975); see *Fogerty* v. *Fantasy, Inc.*, 510 U.S. 517, 533 (1994). "[T]he circumstances under which attorneys' fees are to be awarded and the range of discretion of the courts in making those awards are matters for Congress to determine." *Alyeska Pipeline*, 421 U.S. at 262.

The Copyright Act provides that a district court "may * * * award a reasonable attorney's fee to the prevailing party as part of the costs." 17 U.S.C. 505. "The word 'may'" in Section 505 "clearly connotes discretion." *Fogerty*, 510 U.S. at 533. Courts considering fee petitions under Section 505 thus have significant latitude to decide whether fees are justified under the circumstances of a particular case. See *id.* at 534.

Although Section 505 does not establish any "precise rule or formula" for determining whether fees should be awarded in a particular case, *Fogerty*, 510 U.S. at 534 (citation omitted), "in a system of laws discretion is rarely without limits." *Independent*

Fed'n of Flight Attendants v. *Zipes*, 491 U.S. 754, 758 (1989). In *Fogerty*, this Court cited with approval "several nonexclusive factors"—"frivolousness, motivation, objective unreasonableness (both in the factual and the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence"—that lower courts had considered relevant to a district court's exercise of discretion under Section 505. 510 U.S. at 534 n.19 (citation omitted); see *Octane Fitness, LLC* v. *ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 n.6 (2014) (citing *Fogerty*'s list of factors). The *Fogerty* Court explained that "such factors may be used to guide courts' discretion," so long as they are "faithful to the purposes of the Copyright Act and are applied to prevailing plaintiffs and defendants in an evenhanded manner." 510 U.S. at 534 n.19; see generally *Zipes*, 491 U.S. at 758, 760-761.

In identifying the Copyright Act's "purposes," the *Fogerty* Court explained that "copyright law ultimately serves the purpose of enriching the general public through access to creative works." 510 U.S. at 527. The Court deemed it "peculiarly important that the boundaries of copyright law be demarcated as clearly as possible," and it explained that "a successful defense of a copyright infringement action" serves "that end * * * every bit as much as a successful prosecution of an infringement claim." *Ibid.* For that reason, "defendants who seek to advance a variety of meritorious copyright defenses should be encouraged to litigate them to the same extent that plaintiffs are encouraged to litigate meritorious claims of infringement." *Ibid.*

2. In determining whether attorney's fees should be awarded under Section 505, the Second Circuit correctly gives "substantial weight" to the objective reasonableness of the losing side's position, while recognizing that other relevant circumstances may support a fee award even when the losing party's position was reasonable. Pet. App. 4a-5a. At least three of the factors identified as relevant in *Fogerty*—"frivolousness," "objective unreasonableness," and the need for "deterrence," 510 U.S. at 534 n.19—are directly implicated when the losing party's litigating position was unreasonable. The Second Circuit's approach serves the purposes of the Copyright Act, is in keeping with long-established practice in copyright cases, harmonizes the interpretation of Section 505 with judicial interpretations of other fee-shifting provisions, and ensures that district courts can workably administer Section 505.[2]

a. The Second Circuit's approach furthers the purposes of the Copyright Act.

Emphasizing the objective reasonableness of the losing side's position creates appropriate litigating incentives. In cases where one party's position is clearly correct, that fee-shifting approach gives the party greater confidence that it can economically litigate the case to its conclusion, thereby achieving the result to which it is entitled under the Copyright Act. The Second Circuit's approach also deters the assertion of unreasonable litigating positions, and the

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[2] As petitioner recognizes (Pet. Br. 50-52), the approach taken by the Fifth and Seventh Circuits, which presume (at least in certain circumstances) that the prevailing party is entitled to an award of fees under Section 505, is inconsistent with *Fogerty*'s rejection of the British Rule, see 510 U.S. at 533.

continued assertion of such positions after their lack of merit has been demonstrated. At the same time, it avoids the undue disincentive to the assertion of reasonable litigating positions, and the concomitant pressure to settle or abandon potentially meritorious claims or defenses, that might result if losing copyright litigants were routinely required to pay their opponents' fees.

Deterrence of unreasonable arguments and encouragement of reasonable ones is a fully "evenhanded" approach. *Fogerty*, 510 U.S. at 534 n.19. The question whether a litigating position is objectively unreasonable may be asked equally of both sides. Accordingly, neither plaintiffs nor defendants are favored, and each is "encouraged to litigate * * * to the same extent." *Id.* at 527; see, *e.g.*, *Bauer* v. *Yellen*, 375 Fed. Appx. 154, 156-157 (2d Cir. 2010) (upholding decision to award fees to prevailing defendant when the losing plaintiff's position was not objectively reasonable); *Mallery* v. *NBC Universal, Inc.*, 331 Fed. Appx. 821, 823 (2d Cir. 2009) (same), cert. denied, 559 U.S. 1101 (2010); *Bryant* v. *Media Right Prods., Inc.*, 603 F.3d 135, 144 (2d Cir.) (affirming denial of fee award to prevailing plaintiffs where losing defendants made objectively reasonable arguments), cert. denied, 562 U.S. 1064 (2010); Resp. Br. 45; see generally *Matthew Bender & Co.* v. *West Publ'g Co.*, 240 F.3d 116, 121 (2d Cir. 2001) ("the standard governing the award of attorneys' fees under section 505 should be identical for prevailing plaintiffs and prevailing defendants").

The Second Circuit's approach preserves flexibility. Cases may arise in which the purposes of the Copyright Act will be best served by requiring a losing party who advanced a reasonable position to pay

the prevailing party's fees. Because the Second Circuit treats the objective reasonableness of the losing party's position as a factor entitled to "substantial weight," rather than as a categorical bar to a fee award, courts retain discretion to award fees in such cases. See, *e.g.*, *Viva Video, Inc.* v. *Cabrera*, 9 Fed. Appx. 77, 80 (2d Cir. 2001) (addressing abusive litigation conduct by party with objectively reasonable position).

b. The Second Circuit's identification of objective reasonableness as a central factor in the fee analysis is also consistent with longstanding Copyright Act practice. The sequence of events that led to the enactment of Section 505 in 1976 strongly suggests that Congress intended to ratify that practice.

The Copyright Act of 1909 provided that "the court may award to the prevailing party a reasonable attorney's fee as part of the costs." § 40, 35 Stat. 1084. In 1947, when the Copyright Act was codified in Title 17 of the U.S. Code, that language was retained without change. See 1947 Act, § 116, 61 Stat. 665.

When Congress subsequently undertook a "general revision of the copyright law," it authorized the Copyright Office to study possible legislative approaches, and that Office assumed substantial responsibility for drafting the proposals that became the 1976 Act. *Mills Music, Inc.* v. *Snyder*, 469 U.S. 153, 159 (1985); see *Community for Creative Non-Violence* v. *Reid*, 490 U.S. 730, 743-748 (1989). The Office issued a series of "studies on major issues of copyright law." *Mills Music*, 469 U.S. at 159. One of those studies explained that courts applying the then-extant copyright fee-shifting provision "do not usually make an allowance at all if an unsuccessful plaintiff's claim was

not 'synthetic, capricious or otherwise unreasonable,' or if the losing defendant raised real issues of fact or law." *Fogerty*, 510 U.S. at 528, 531 (quoting Ralph S. Brown, Jr., *Study No. 23, The Operation of the Damage Provisions of the Copyright Law: An Exploratory Study, reprinted in* Staff of the Subcomm. on Patents, Trademarks, and Copyrights, House Comm. on the Judiciary, 86th Cong., 2d Sess., *Copyright Law Revision: Studies* 85 (Comm. Print 1960) (Brown Study)); see Brown Study 85 ("Several experienced practitioners said that they seldom received fee allowances, nor were their clients compelled to pay allowances, because the only cases they took to court involved unsettled questions of law or fact, and they did not expect the court to make an allowance to either side."); see also *Fogerty*, 510 U.S. at 528-529 (discussing additional Copyright Office study relevant to attorney's fees). The Register of Copyrights expressed the same understanding, stating that "[t]he courts have generally denied awards of attorney's fees where the losing party had solid grounds for litigating his claim or defense." *Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law* 109 (Comm. Print 1961) (House Comm. on the Judiciary, 87th Cong., 1st Sess.).[3]

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[3] This Court's decision in *Fogerty* cited a number of pre-1976 cases, all of which are consistent with the Copyright Office's summary. See *Fogerty*, 510 U.S. at 529-532 nn.14-17 (citing, *e.g.*, *Official Aviation Guide Co.* v. *American Aviation Assocs.*, 162 F.2d 541, 543 (7th Cir. 1947) (denying fees where the case "was hard fought and prosecuted in good faith, and * * * presented a complex problem in law"), and *Loew's Inc.* v. *Columbia Broad. Sys., Inc.*, 131 F. Supp. 165, 186 (S.D. Cal. 1955) (denying fees to prevailing defendant where merits issue "was a nice one" and there were "no authorities squarely in point"), aff'd, 239 F.2d 532

When it enacted Section 505 as part of the 1976 Act, Congress thus was made aware that the reasonableness of the losing party's position on the merits was a significant factor in the discretionary analysis under earlier provisions authorizing awards of attorney's fees in copyright cases. See *Mills Music*, 469 U.S. at 159-160 (noting importance of Copyright Office studies and views in the enactment of the 1976 Act); see also *Fogerty*, 510 U.S. at 523-524. Congress chose not to "amend the neutral language" under which that approach had developed. *Fogerty*, 510 U.S. at 524 n.11. With respect to fees, Congress retained the existing language even though the 1976 Act changed another aspect of the cost-shifting regime, by making an award of non-fee costs discretionary rather than mandatory. Compare 17 U.S.C. 116 (1976) ("full costs shall be allowed"), with 17 U.S.C. 505 ("the court in its discretion may allow the recovery of full costs"); see generally *Community for Creative Non-Violence*, 490 U.S. at 743 (noting that in most respects the 1976 Act "almost completely revised existing copyright law").

Under those circumstances, "Congress is presumed * * * to adopt" the existing "judicial interpretation" of the statutory language it re-enacts. *Lorillard* v. *Pons*, 434 U.S. 575, 580-581 (1978). That principle applies with special force where, as here, Congress has left the relevant language intact while significantly altering closely related aspects of the statute. See, *e.g.*, *Merrill Lynch, Pierce, Fenner & Smith, Inc.* v. *Curran*, 456 U.S. 353, 381-382 (1982). Treating the objective reasonableness of the losing side's argu-

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(9th Cir. 1956), aff'd, 356 U.S. 43 (1958)); see also *Norbay Music, Inc.* v. *King Records, Inc.*, 249 F. Supp. 285, 289-290 (S.D.N.Y. 1966); Resp. Br. 25 & n.3 (citing additional cases).

ments as a factor weighing substantially against a Copyright Act fee award thus comports with the "usual[]" outcomes that Congress would have expected when it enacted Section 505. See *Fogerty*, 510 U.S. at 531 (quoting Brown Study 85).[4]

c. The Second Circuit's approach is also consistent with usual understandings of discretionary fee-shifting provisions outside the copyright context.

Under a wide array of discretionary federal fee-shifting provisions, the reasonableness of the losing side's position is consistently treated as a factor weighing against an award. The Court has applied that approach in construing provisions (like Section 505) that authorize fee awards but provide little or no explicit guidance as to the criteria that should inform the court's decision. See, *e.g.*, *Martin* v. *Franklin Capital Corp.*, 546 U.S. 132, 141 (2005) (explaining that "when an objectively reasonable basis [for the losing litigant's action] exists, fees should be denied") (interpreting 28 U.S.C. 1447(c)); *Octane Fitness*, 134 S. Ct. at 1756 (explaining that "the unreasonable manner in which the case was litigated" may inform a court's decision whether to award fees) (interpreting 35 U.S.C. 285).[5] Courts have interpreted such provi-

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[4] In *Fogerty*, this Court rejected the argument that the 1976 Congress had ratified the "dual" standard for fees, which treated plaintiffs more favorably than defendants. See 510 U.S. at 527-533. The Court explained that "neither of the two studies presented to Congress, nor the cases referred to by the studies, support [the] view that there was a settled construction in favor of the 'dual standard' under" pre-1976 law. *Id.* at 533.

[5] See also, *e.g.*, *American Council of Certified Podiatric Physicians & Surgeons* v. *American Bd. of Podiatric Surgery, Inc.*, 185 F.3d 606, 625 (6th Cir. 1999) (explaining that, "[w]here a plaintiff sues under a colorable, yet ultimately losing, argument, an award

sions—which are enacted against the "strong background of the American rule," *Fogerty*, 510 U.S. at 533—to "demand some scope for the exercise of discretion to measure the reasonableness of the losing party's conduct and make no award if that conduct was reasonable." Thomas D. Rowe, Jr., *The Legal Theory of Attorney Fee Shifting: A Critical Overview*, 1982 Duke L.J. 651, 670 (1982); see 1 Mary Frances Derfner & Arthur D. Wolf, *Court Awarded Attorney Fees* ¶ 5.02 [1], at 5-4 (2015).

The wording of 28 U.S.C. 1447(c), the provision at issue in *Martin*, is particularly similar to that of Section 505. Section 1447(c) provides that, if a state-court suit is removed to federal court but subsequently remanded to state court, the "order remanding the case may require payment of * * * attorney fees, incurred as a result of the removal." Like Section 505, that provision uses the permissive word "may" without specifying the criteria that should inform the court's exercise of discretion. The Court in *Martin* held that, "[a]bsent unusual circumstances, courts may award attorney's fees under § 1447(c) only where the removing party lacked an objectively reasonable basis for seeking removal." 546 U.S. at 141. The Court recognized that district courts could depart

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of attorney's fees is inappropriate") (interpreting 15 U.S.C. 1117(a) (1994 & Supp. V 1999)); *Ahng* v. *Allsteel, Inc.*, 96 F.3d 1033, 1037 (7th Cir. 1996) (explaining that "attorney's fees should not be awarded if the losing party's position is substantially justified and taken in good faith") (interpreting 29 U.S.C. 1132(g)(1)) (citation and internal quotation marks omitted); *Tax Analysts* v. *United States Dep't of Justice*, 965 F.2d 1092, 1096 (D.C. Cir. 1992) (affirming denial of fees where the government's position, while not prevailing, "had a reasonable basis in law") (interpreting 5 U.S.C. 552(a)(4)(E) (1988)).

from that rule in unusual cases, but cautioned that the grounds for any such departure "should be 'faithful to the purposes' of awarding fees under § 1447(c)." *Ibid.* (quoting *Fogerty*, 510 U.S. at 534 n.19). The Second Circuit's approach to fee awards under Section 505 is substantially similar.

Petitioner views *Martin* as inapposite because the Court in that case focused on the policy balance that Section 1447(c) is intended to strike. See Pet. Br. 34-35. But there is no sound reason to regard the balancing of interests that the Court in *Martin* described—*i.e.*, deterring unreasonable or ill-motivated removals, without unduly discouraging removals that are reasonable but not certain to succeed, see 546 U.S. at 140-141—as different in kind from the objectives that underlie Section 505. That is particularly so because the Court in *Martin* did not cite legislative history of Section 1447(c), or any other extrinsic statute-specific evidence, in concluding that Congress intended to strike that policy balance. Rather, the Court inferred that intent from Congress's decision to authorize, but not require, awards of fees to plaintiffs in remanded cases. See *ibid.*[6]

d. Treating the reasonableness of the losing party's position as a central factor in the Section 505 inquiry is also a highly workable approach. A district

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[6] Unlike Section 505, Section 1447(c) is not even-handed: it authorizes an award of fees where the defendant's attempt to remove a case is ultimately unsuccessful, but not where the defendant successfully resists the plaintiff's effort to have the case remanded to state court. Nothing in *Martin* suggests, however, that this aspect of the provision meaningfully influenced the Court's articulation of the criteria that should inform district courts' fee decisions.

court that has presided over the merits portion of a copyright case has carefully probed each side's arguments and is well situated to assess whether the losing party advanced a reasonable position. And the question whether a losing party's position is objectively unreasonable may be asked in every case, no matter the kind of claims or defenses involved. The Second Circuit's standard therefore gives district courts clear and administrable guidance that will increase the consistency of fee determinations in similar cases. See *Fogerty*, 510 U.S. at 534 n.19 (referring to "factors" that "may be used to guide courts' discretion"); see also *Albemarle Paper Co.* v. *Moody*, 422 U.S. 405, 417 (1975).

3. a. Petitioner argues (Pet. Br. 23) that the Second Circuit's standard "improperly pretermits district court discretion." That criticism is unfounded.

By selecting one of the factors listed in *Fogerty* as a central element in "guid[ing] courts' discretion" under Section 505, *Fogerty*, 510 U.S. at 534 n.19, the Second Circuit has followed this Court's direction, not flouted it. *Fogerty* made clear that such guidance is permissible so long as the factor is an appropriate one. See *ibid.*; cf. *Zipes*, 491 U.S. at 760-761 (stating that "the law in general, and the law applied to" an attorney's-fee provision in the civil rights laws affording district courts facially unqualified "discretion," does not "interpret a grant of discretion to eliminate *all* 'categorical rules'"); *Martin*, 546 U.S. at 139-140 (quoting *Zipes* and applying the same principle). And because the Second Circuit has consistently recognized that fee awards under Section 505 may sometimes be appropriate even when the losing party's position was objectively reasonable, see, *e.g.*, Pet.

App. 4a-5a, its approach is consistent with this Court's avoidance of single-factor tests in similar statutory contexts.

Petitioner asserts (Pet. Br. 24-25) that the Second Circuit has "repeatedly" denied fee requests in copyright cases "based solely on the determination that the losing plaintiff's position was objectively reasonable." But in the cases that he cites "affirm[ing] district court decisions denying attorney's fees to prevailing defendants" (Pet. Br. 24 & n.2), the court of appeals made clear that multiple factors are relevant to the Section 505 analysis.[7] And the two rulings that

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[7] See *Viva Video*, 9 Fed. Appx. at 81 (partially affirming denial of fee award where losing plaintiff's case "had some support at the time it was initiated" and plaintiff did not generally display bad faith, despite ultimately being "unable to support its claims," but partially vacating order after concluding that prevailing defendants were eligible for fees arising out of particular instance of litigation misconduct); see also *Russian Entm't Wholesale, Inc.* v. *Close-Up Int'l, Inc.*, 482 Fed. Appx. 602, 607 (2d Cir. 2012) (observing that losing plaintiff's arguments "were neither legally nor factually unreasonable," and that the district court "could reasonably have considered" the plaintiff's "purported rejection of a reasonable settlement offer" when deciding whether to award fees); *Arista Records, LLC* v. *Launch Media, Inc.*, 344 Fed. Appx. 648, 650-651 (2d Cir. 2009) (explaining that the losing plaintiff's position was not objectively unreasonable, and that "there appears to be no illegal motivation on the part of [the plaintiff] to bring the suit, nor any conduct that would merit deterrence"); *Lava Records, LLC* v. *Amurao*, 354 Fed. Appx. 461, 462 (2d Cir. 2009) (concluding that the district court appropriately denied fees to a prevailing defendant "in light of, *inter alia*, the evidence plaintiffs possessed pointing to [defendant] as the infringing party prior to filing suit" and defendant's "less-than-candid responses to plaintiffs' discovery requests"); *Medforms, Inc.* v. *Healthcare Mgmt. Solutions, Inc.*, 290 F.3d 98, 117 (2d Cir. 2002) (affirming denial of fees where the

he claims "reversed district court decisions awarding attorney's fees to prevailing defendants * * * based solely on the court's determination that the plaintiff's litigation position was objectively reasonable" (Pet. Br. 25 & n.3 (emphasis omitted)) did no such thing. Indeed, in one of those cases, the court of appeals—while vacating an existing fee award infected by "logically inconsistent" reasoning—remanded for the district court to consider whether the plaintiff's "[m]isconduct before or during litigation" might warrant an award of fees to the prevailing defendants even though the plaintiff's position on the facts and law in the operative complaint "was objectively reasonable." *Zalewski* v. *Cicero Builder Dev., Inc.*, 754 F.3d 95, 108-109 (2d Cir. 2014) (citation omitted); see *Effie Film, LLC* v. *Murphy*, No. 14-3367-cv, 2015 WL 6079993, at *1-*2 (2d Cir. Oct. 16, 2015) (ruling that district court's award of fees to a plaintiff that had obtained a declaratory judgment of non-infringement constituted an abuse of discretion because the fee award was "based * * * solely" on the mistaken belief that the "*pro se*" defendant's arguments were unreasonable).

Petitioner is also wrong in accusing (Pet. Br. 25-27) the Second Circuit of effectively adopting an "exceptional case" standard similar to that expressly set forth in the attorney's-fee provisions of the Patent Act, 35 U.S.C. 1 *et seq.*, and the Lanham Act, 15 U.S.C. 1051 *et seq.* As this Court explained in *Octane Fitness, LLC* v. *ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014), when the "power" to award attorney's fees is "reserved for 'exceptional' cases," a court must

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district court "rel[ied] on factors outlined by the Supreme Court in *Fogerty*").

ask whether the case before it "stands out from others with respect to the substantive strength of a party's litigating position * * * or the unreasonable manner in which the case was litigated." *Id.* at 1756; see *id.* at 1753 (explaining that addition of the word "exceptional" to the Patent Act did not alter the meaning of the existing provision). Giving substantial weight in an attorney's-fee analysis to the reasonableness of the losing party's position does not call for any such comparison between cases, or reserve an award of fees for cases that stand out from the norm. Rather, it calls for a case-specific assessment of whether the losing party's position lacks a basis in fact or law—regardless of whether any such unreasonableness is ordinary or exceptional in nature.

b. Petitioner asserts that the Second Circuit's standard "flouts *Fogerty*'s evenhandedness requirement" by adopting a "punishment-based approach" under which "a defendant who has infringed will virtually always be found to have done something culpable" while "a plaintiff who wrongly accuses a defendant of infringement will be viewed as culpable only if the lawsuit is frivolous." Pet. Br. 27, 29 (emphasis omitted). That is incorrect.

Petitioner's argument confuses the question of infringement liability with the reasonableness of a party's litigating position. As in other litigation contexts, the defendant in a copyright-infringement suit may lose on the merits yet be found to have advanced objectively reasonable arguments. Courts in the Second Circuit have denied Section 505 fee requests on that basis. See, *e.g.*, *Bryant*, 603 F.3d at 144. To be sure, because a finding of infringement indicates that the defendant has violated the law, a losing copyright

defendant is "culpable" in a way that a losing plaintiff is not. That difference explains why losing defendants, but not losing plaintiffs, may be required to pay damages at the conclusion of infringement suits. Consistent with *Fogerty*'s holding that Section 505 mandates an even-handed approach, however, the Second Circuit has not treated that form of culpability as a basis for a fee award.

Relying on a small number of secondary sources, petitioner contends that the Second Circuit's standard unduly favors plaintiffs in practice. Even if petitioner could identify cases other than this one in which the Second Circuit (or district courts within that circuit) have failed to apply an even-handed approach, that showing would provide no basis for reversing the judgment below or for rejecting the standard that the Second Circuit has articulated. In any event, the sources that petitioner cites do not support his characterization.

Petitioner relies (Pet. Br. 28-29) on a survey published in 2000 that considered 135 decisions issued "in a fifty-two month period following" this Court's 1994 decision in *Fogerty*. Jeffrey Edward Barnes, Comment, *Attorney's Fee Awards in Federal Copyright Litigation After* Fogerty *v.* Fantasy*: Defendants Are Winning Fees More Often, but the New Standard Still Favors Prevailing Plaintiffs*, 47 UCLA L. Rev. 1381, 1387 (2000) (Barnes Comment); see *id.* at 1403; see also Pet. Br. 28 (citing John Tehranian, *Curbing Copyblight*, 14 Vand. J. Ent. & Tech. L. 993, 1016 (2012) (relying on Barnes Comment)). But that survey found that "the frequency of prevailing defendants' fee awards jumped from 16 percent before *Fogerty* to 61 percent following the ruling," and

that the increase in the Second Circuit (from 12.5% to 80%) was particularly striking. Barnes Comment 1383, 1390-1391 (Tbl. 1); see *id.* at 1383 (stating that rates of fee awards to plaintiffs "remained the same" throughout this period at 89%).[8]

Petitioner also relies (Pet. Br. 28-29) on a copyright treatise stating that a standard emphasizing objective reasonableness perpetuates "the dual system rejected in *Fogerty*." But the treatise primarily rests that statement on what it deems a faulty conception of unreasonableness—one that is too close to the "frivolous[ness]" or "bad faith" that the dual standard required prevailing defendants to demonstrate in order to obtain a fee award. *Fogerty*, 510 U.S. at 520-521; see William F Patry, 6 *Patry on Copyright* § 22:210 (2015) (citing *Browne* v. *Greensleeves Records, Ltd.*, No. 03 Civ. 7696, 2005 WL 2716568, at *1 (S.D.N.Y. Oct. 21, 2005) (stating that claims are "generally" objectively unreasonable only if they "are clearly without merit or otherwise patently devoid of legal or factual basis")). The numerous cases in which Section 505 fees have been awarded (and fee awards affirmed) by courts in the Second Circuit suggest that a showing of objective unreasonableness is not overly difficult to make. And even if courts in the Second Circuit were unduly reluctant to find particular litigating positions

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[8] A somewhat higher rate of fee awards to prevailing plaintiffs than to prevailing defendants does not indicate a failure of even-handedness. Defendants are brought into court unwillingly, while plaintiffs can evaluate the legitimacy of their claims before committing the time and resources required to initiate a federal suit. Accordingly, a standard that tests all parties' positions against the same objective-reasonableness yardstick may result in a greater prevalence of fee awards to plaintiffs.

objectively unreasonable, that fact would not suggest that the standard itself is flawed or that plaintiffs and defendants are being treated differently. Respondent's merits position in this case, which prevailed in both lower courts and was endorsed by three Members of this Court, was objectively reasonable under any plausible conception of that term.

B. Petitioner's Interpretation Of Section 505 Should Be Rejected

Petitioner agrees (Pet. Br. 14-17, 35-36, 48-49, 52-53) that a court's discretion to award fees may appropriately be "guided by a touchstone," and that the reasonableness of the losing party's litigating position may properly bear on the Section 505 analysis. He contends, however, that district courts should exercise their discretion under Section 505 to reward the victors in close cases that yield important judicial pronouncements—an approach that he believes would encourage "meaningful[] clarifi[cation]" of copyright law. *Id.* at 19-21, 35-50. That approach suffers from numerous flaws.

1. Petitioner's approach finds no support in *Fogerty*. The Court there stated that, because "the policies served by the Copyright Act are more complex, more measured, than simply maximizing the number of meritorious suits for copyright infringement," a determination that particular expression is *not* infringing serves the Act's purposes just as much as a decision that upholds a copyright-holder's claim. 510 U.S. at 526; see *id.* at 525-527. The Court explained that, "[i]n the case before [it], the successful defense of 'The Old Man Down the Road' [the song that was alleged to be infringing] increased public exposure to a musical work that could, as a result, lead to further

creative pieces." *Id.* at 527. In stating that "a successful defense of a copyright infringement action may further the policies of the Copyright Act," *ibid.*, the Court thus focused on the fact that the *judgment* in the underlying infringement suit had enabled the defendant to exploit a particular creative work, not on any more general law-clarifying effect that a precedential opinion might produce. Indeed, because the infringement suit in *Fogerty* culminated in a jury verdict for the defendant that the plaintiff did not appeal, see *id.* at 520, the suit did not generate a precedential opinion on *any* question concerning the merits of the infringement claim.

Petitioner's focus on the precedent-setting effect of the Court's merits-stage decision in this case logically suggests that Copyright Act fees should be more readily awarded in cases involving an appeal of a district court's merits decision (at least if the appellate court issues a published decision), and even more readily awarded in cases that reach this Court. Cf. Pet. Br. 41 ("The truth is some wins are better than others."). Nothing in the text of Section 505 indicates that appellate victories provide a stronger basis for a fee award than unappealed trial-court wins, however, and the government is not aware of any judicial decision that has endorsed that distinction. Petitioner also identifies no other federal fee-shifting provision under which the creation of appellate precedent is treated as a factor supporting a fee award.

Petitioner's approach would also have the peculiar effect of treating the reasonableness of the losing side's merits position as a factor *favoring* a fee award. In stressing the jurisprudential significance of the Court's merits decision in this case, petitioner affirm-

atively relies on the fact that, before that decision, most courts and commentators had believed respondent's position to be correct. See Pet. Br. 2, 7; but cf. *id.* at 49 (accepting that fee awards are warranted if the losing party's position is frivolous). By contrast, because unreasonable arguments are (by definition) those that litigants should already know are wrong, their rejection—even in a published opinion—is unlikely to serve any meaningful law-clarifying function. That treatment of the reasonableness factor is impossible to square with *Fogerty*, which contemplates that a losing argument's "objective unreasonableness" will weigh in favor of a fee award, and it is in stark contrast with the role that objective reasonableness ordinarily plays under other discretionary federal fee-shifting statutes. *Fogerty*, 510 U.S. at 534 n.19 (citation omitted); see pp. 19-21, *supra*.

2. Even if Congress intended in Section 505 to encourage litigation of potentially precedent-setting cases, petitioner's approach to fee awards would not reliably effectuate that intent.

In deciding whether to proceed to judgment in the district court or to pursue and fully litigate an appeal, each party can be expected to view the possible recoupment of its own fees as an incentive to go forward, while regarding the risk of a fee award against it as a cause for hesitation. A regime under which fees are routinely awarded in precedent-setting copyright litigation thus could discourage as well as encourage the pressing of arguments on appeal. The problem is not simply that precedent-setting litigation requires two willing parties, and that the party that ultimately loses might have abandoned the suit if the perceived risk of an adverse fee award had been higher. See

Pet. Br. 30. In addition, the rule that petitioner advocates would deter many litigants who would otherwise have pursued appeals *and would ultimately have prevailed.* See Resp. Br. 33.

The circumstances of this case illustrate the difficulties with petitioner's approach. If petitioner's proposed fee-shifting framework had been in place when he was deciding whether to petition for certiorari, he would have faced strong disincentives to seeking this Court's review. In petitioner's telling (Pet. Br. 2, 7, 9, 11), litigation in this Court was a "long-shot" campaign against a "copyright goliath" represented by elite counsel. And because petitioner's Supreme Court counsel had agreed to provide pro bono representation, the prospect of having his own fees reimbursed would have been little incentive to proceed. By contrast, the risk of having to pay respondent's fees as a consequence of losing, notwithstanding the reasonableness of petitioner's arguments, could well have deterred him from pursuing this Court's review at all. At that stage of the proceedings, it would hardly have been obvious even to petitioner himself that he would ultimately land among "the Kirtsaengs" (Pet. Br. 3) of copyright litigation.

This is not to say that adoption of petitioner's approach would *demonstrably* reduce the overall incidence of law-clarifying copyright litigation. The point is simply that the approach would create disincentives as well as incentives to pursuing cases on appeal, and it is wholly speculative whether the incentive effects would predominate. Thus, even if this Court views the generation of copyright precedent as an objective of Section 505, there is no sound reason to believe that

petitioner's proposed fee-shifting standard would have that systemic effect.

3. Petitioner's proposed standard also would be difficult for district courts to administer. Petitioner envisions (Pet. Br. 15, 33, 41-44) that a prevailing party seeking fees would attempt to "demonstrate" the "broad applicability" of the result in its case, while the losing party would try to establish that the case involved merely "localized facts" or that the result only "meaningfully deterred infringement in a particular industry." But the question whether a particular result warrants a fee award under that approach would frequently be subject to conjecture and speculation. It will often be difficult for a district court to assess the precedent-setting value of a decision, or to gauge the effects of that decision on the relevant industry. Indeed, the practical importance of a particular ruling on the merits might not become apparent until long after the court makes its attorney's-fee determination.

In assessing the objective reasonableness of the losing party's arguments, a district court can draw directly on the knowledge that it has acquired during the merits phase of the litigation. See pp. 21-22, *supra*. The district court's experience with the case, however, often will give it no particular insight into the jurisprudential or practical significance of any subsequent ruling on appeal. To assess the ultimate law-clarifying value of the lawsuit, the court may be required to conduct a wide-ranging survey of the pertinent factual and legal landscape, an inquiry extending far beyond what was needed to try the case on the merits. An approach that entails such inquiries would directly implicate the concern that "[a] request

for attorney's fees should not result in a second major litigation." *Hensley* v. *Eckerhart*, 461 U.S. 424, 437 (1983); see *Zipes*, 491 U.S. at 766 (declining to adopt a proposed framework for awarding fees when "making fees turn upon [the proponent's criteria] would violate our admonition" in *Hensley*).

C. The Judgment Of The Court Of Appeals Should Be Affirmed

As the Second Circuit correctly held, the district court's denial of petitioner's request for attorney's fees was not an abuse of discretion. The district court observed (and petitioner does not dispute) that respondent's merits arguments were reasonable, Pet. App. 12a-14a; that respondent had "brought this action based on its belief that, given then-existing legal interpretations of the Copyright Act," petitioner had infringed respondent's rights, *id.* at 17a; that respondent's litigation conduct was appropriate under the circumstances, *id.* at 15a & n.13; and that petitioner had no special need for compensation because he had been represented pro bono in this Court and would be able to "continue his arbitrage business free of the fear of incurring copyright liability," *id.* at 16a. The court also carefully considered each of the additional arguments that petitioner had raised, contra Pet. Br. 3, including the argument that he was entitled to fees because his suit had helped to clarify the law, and determined that "no other factor" justified a fee award, Pet. App. 24a; see *id.* at 17a-24a. The court's analysis of the relevant factors, and its ultimate conclusion that a fee award was not warranted, reflected a sound exercise of discretion under an appropriate legal standard.

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted.

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IN THE

Supreme Court of the United States

SUPAP KIRTSAENG DBA BLUECHRISTINE99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Second Circuit

BRIEF OF AMICUS CURIAE, AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF NEITHER PARTY

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STATEMENT OF INTEREST

The American Intellectual Property Law Association ("AIPLA") is a national bar association of approximately 14,000 members who are primarily lawyers engaged in private or corporate practice, in government service, and in the academic community.[1] AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping establish and maintain fair and effective laws and policies that stimulate and reward invention and authorship while balancing the public's interest in healthy competition, reasonable costs, and basic fairness.

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[1] In accordance with Supreme Court Rule 37.6, amicus curiae states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than the amicus curiae and its counsel. Specifically, after reasonable investigation, AIPLA believes that (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (ii) no representative of any party to this litigation participated in the authorship of this brief, and (iii) no one other than AIPLA, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

AIPLA has no interest in any party to this litigation or stake in the outcome of this case, other than its interest in seeking a correct and consistent interpretation of the law affecting intellectual property.[2]

SUMMARY OF ARGUMENT

This case provides the Court with an opportunity to resolve a split in the circuits on the correct interpretation and application of the Copyright Act provision for awarding attorney's fees. The correct test for copyright cases, as the Court recently held for patent cases, is a totality-of-the-circumstances test that is guided by non-exclusive factors, including objective reasonableness, frivolousness, motivation, and the need in particular circumstances to consider compensation and deterrence. No one factor, including the objective reasonableness of the losing party's position on the merits, should be given a preclusive effect.

Section 505 of the Copyright Act confers discretion on the district courts to award reasonable attorney's fees to the prevailing party in a copyright case. In its 1994 decision in *Fogerty v. Fantasy*, this Court underscored the broad discretion of the courts to award attorney's fees. The *Fogerty* Court endorsed a flexible, equitable exercise of judicial discretion on

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[2] AIPLA sought consent to file this brief from the counsel of record for all parties, pursuant to Supreme Court Rule 37.3(a). Counsel for all parties consented and copies of the letters of general consent have been filed with the Clerk.

a case-by-case basis. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994). In doing so, this Court expressly rejected a presumption in favor of a prevailing copyright holder. The Court also rejected the presumption that, under Section 505, fees would be awarded to the prevailing party in all but unusual circumstances.

Footnote 19 of the *Fogerty* decision referenced the Third Circuit's use of a set of "non-exclusive" factors that "may be used to guide courts' discretion as long as such factors are faithful to the purposes of the Copyright Act and are applied evenhandedly to prevailing plaintiffs and defendants." *Id.* at 534 n.19. The non-exclusive factors include "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." *Id.*

In 2005, a unanimous decision of this Court on the issue of attorney's fee awards under 28 U.S.C. § 1447(c) noted, again in a footnote, that the *Fogerty* Court "did not identify a standard under which fees should be awarded" but "remanded to the Court of Appeals to consider the appropriate test in the first instance." *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 141 n* (2005). In the twenty-one years since the *Fogerty* decision, the regional circuits have developed various formulations of the non-exclusive factors, some of which involve weighted factors or presumptions that take away the discretion expressly conferred upon the district courts by Congress, contrary to the plain language of Section 505 and the holding of this Court in *Fogerty*.

This brief is submitted by AIPLA to urge the Court to provide needed direction on the appropriate standard for awarding fees under Section 505. Consistent with this Court's fee-shifting decisions, including *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014), the recent decision involving the fee-shifting provision of the Patent Act, this Court should endorse the use of a totality-of-the-circumstances test that is guided by non-exclusive factors, including objective reasonableness, frivolousness, motivation, and the need in particular circumstances to consider compensation and deterrence. AIPLA also urges this Court to admonish the regional circuits that "precise rule[s] or formula[e] for making these determinations" are contrary to Section 505.

Section 505 empowers district courts to determine when, under the totality of the circumstances, equity and fairness dictate that fees should be recovered by the prevailing party. Section 505 does not establish any presumption that fees must be awarded to the prevailing party. Moreover, as this Court has aptly noted, the purposes of the Copyright Act are "complex" and "measured," reflecting numerous policy choices about compensation and deterrence in specific contexts. As a result, it is dangerous to develop shorthand rules or presumptions that constrain a district court's discretion. The district courts should be free to bring their experience, perspective, and hands-on knowledge of the case to their analysis of the totality of the circumstances, mindful that their ultimate equitable determination must be consistent with the purposes of the Copyright Act.

ARGUMENT

I. Section 505 of the Copyright Act Confers Broad Discretion on the District Court to Award Attorney's Fees.

Section 505 of the Copyright Act authorizes a district court to exercise its broad, equitable discretion to award attorney's fees in copyright litigation. It provides that:

> [i]n any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.

17 U.S.C. § 505.

This Court has addressed the question of the appropriate standard for awarding attorney's fees under Section 505 of the Copyright Act. It expressly held that "[t]he word 'may' clearly connotes discretion" to award attorney's fees under Section 505, emphasizing that "[t]here is no precise rule or formula for making these determinations." *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 533, 534 (1994) (quoting *Hensley v. Eckerhart*, 461 U.S. 424, 436-437 (1983)). Accordingly, this Court instructed that "equitable discretion should be exercised" upon consideration of case-specific factors, consistent with the purposes of the Copyright Act. *Id.* at 534.

The *Fogerty* case addressed a circuit split on this issue. Some circuits had been applying a "dual standard" under which prevailing copyright holders were awarded fees as a matter of course while successful defendants were required to show that the suit was frivolous or brought in bad faith. Other circuits applied an "even-handed" approach, which did not impose a greater burden on prevailing defendants than on prevailing plaintiffs. 510 U.S. at 517 After considering the statutory text, the purposes of the Copyright Act, and the legislative history of Section 505, this Court held that, in enacting Section 505, Congress did not establish a standard of treating prevailing copyright holders and accused infringers differently for purposes of fee awards. *Id.* at 521-22. Likewise, the Court rejected Fogerty's argument that Section 505 evidences Congress' intent to adopt the British Rule, under which attorney's fees are awarded to the prevailing party absent unusual circumstances. "The automatic awarding of attorney's fees to the prevailing party would pretermit the exercise of [the] discretion" conferred by Congress upon district courts. *Id.* at 533.

The *Fogerty* decision rejected rigid rules and uneven standards as inappropriate in evaluating fee petitions in copyright cases. Instead of any "precise rule or formula for making these determinations," the Court suggested, without deciding, that district courts evaluating attorney's fee petitions could look to "several nonexclusive factors to guide [their] discretion," including "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in

particular circumstances to advance considerations of compensation and deterrence." *Id.* at 534 and n.19 (*quoting Hensley v. Eckerhart*, 461 U.S. 424, 436-37 (1983) and *Lieb v. Topstone Industries, Inc.*, 788 F.2d 151, 156 (3d Cir. 1986)); *see Martin*, 546 U.S. at 141 n*

In footnote 19 of its decision, this Court further explained the discretionary approach to be applied in copyright fee-award determinations: any factors considered must be "faithful to the purpose of the ***Copyright Act*** and applied to prevailing plaintiffs and defendants in an evenhanded manner." 510 U.S. at 534 n.19 (emphasis added). Importantly, the Court rejected the argument that Section 505 evidences an exclusive purpose to "encourage[ ] litigation of meritorious claims of copyright infringement." *Id.* at 525-26. Calling this view of the purposes of the Copyright Act "flawed" and "one-sided," the Court admonished that:

> the policies served by the Copyright Act are more complex, more measured, than simply maximizing the number of meritorious suits for copyright infringement. We have often recognized that the monopoly privileges that Congress has authorized, while 'intended to motivate the creative activity of authors and inventors by the provision of a special reward,' are limited in nature and must ultimately serve the public good.

Id. at 526, *quoting Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 429

(1984). Accordingly, "[b]ecause copyright law ultimately serves the purpose of enriching the general public through access to creative works, it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible," and therefore, "a successful defense of a copyright infringement action may further the policies of the Copyright Act every bit as much as a successful prosecution of an infringement claim by the holder of a copyright." *Id.* at 527

This Court's analysis in *Fogerty* confirms that an award of fees should be left to the district court's equitable discretion, may be informed by consideration of a variety of factors, and should be exercised consistently with the goals of the Copyright Act. Importantly, while a court's analysis may be informed by the relative merits of the parties' litigation positions and conduct, there is no room under Section 505's discretionary standard for any rigid rules or any "thumb on the scale" for or against a particular party or outcome. The *Fogerty* decision confirms that district courts must consider the totality of the circumstances in the particular case before them, while ensuring that any decision to award or deny fees is consistent with the purposes of the Copyright Act.

II. This Court's Guidance is Needed to Address the Regional Circuits' Inconsistent Approaches.

A. A Presumption in Favor of Fee Awards Is Inconsistent with Section 505.

Despite the express language of Section 505, this Court's emphasis on the discretionary nature of an attorney's fees award under Section 505, and its explicit rejection of petitioner Fogerty's argument that attorney's fees should be awarded to the prevailing party absent unusual circumstances, some regional circuits have established a presumption that fees should be granted to the prevailing party in a copyright suit. *See Riviera Distribs., Inc. v. Jones*, 517 F.3d 926, 928 (7th Cir. 2008) ("Since *Fogerty* we have held that the prevailing party in copyright litigation is presumptively entitled to reimbursement of its attorneys' fees."); *Hogan Sys. v. Cybresource, Int'l., Inc.*, 158 F.3d 319, 325 (5th Cir. 1998) ("although attorney's fees are awarded in the trial court's discretion, they are the rule rather than the exception and should be awarded routinely").

Such presumptions defy the plain language of Section 505, which expressly grants discretion to district courts. As this Court noted in *Fogerty*, "the automatic awarding of attorney's fees would pretermit the exercise of that discretion." As this Court noted in *Fogerty*, "the automatic awarding of attorney's fees would pretermit the exercise of that discretion." *Fogerty*, 510 U.S. at 533. Had Congress intended to create a presumption in favor of fee awards, it would have done so. *Id.* at 517. ("We find

it impossible to believe that Congress, without more, intended to adopt the British Rule. Such a bold departure from traditional practice would have surely drawn more explicit statutory language and legislative comment."); *Martin,* 546 U.S. at 137 (finding "no sound basis" for a presumption in favor of awarding fees in the absence of more explicit statutory language and legislative comment). Congress did not create any presumption of fee-shifting in copyright cases—the plain language of Section 505 evidences Congress' intent to leave the award of fees to the court's discretion.

This Court has repeatedly emphasized that equitable discretion requires the ability to examine the totality of the circumstances without the imposition of categorical rules or presumptions. *See, e.g., eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393 (2006); *New York Times Co. v. Tasini*, 533 U.S. 483, 505 (2001). In *eBay Inc.*, this Court expressly rejected the Federal Circuit's formulation of a "general rule" in a patent infringement case that "a permanent injunction will issue once infringement and validity have been adjudged." *Id.* at 393-394. The Federal Circuit's rule instructed district courts to deny an injunction only in the "unusual" case involving "exceptional circumstances" and "in rare instances to protect the public interest." *Id.* at 394. In rejecting the Federal Circuit's categorical rule on the grant of injunctions in patent cases, this Court reasoned that such categorical rules "cannot be squared with the principles of equity adopted by Congress," noting that its decision was "consistent with [its] treatment of injunctions under the Copyright Act." *Id.* at 392-93 (*citing New York Times*

Co. v. Tasini, 533 U.S. 483, 505 (2001) (emphasizing the word "may" in pointing out that an injunction need not necessarily follow from an infringement finding) and *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 578 n.10 (1994) (emphasizing the word "may" and noting that "the goals of the copyright law are not always best served by automatically granting injunctive relief")).

For these reasons, the presumptions employed by some of the regional circuits, including the Seventh and Fifth Circuits, clearly contradict the plain meaning of Section 505 and *Fogerty*'s holding that fee awards be granted "***only*** as a matter of the court's discretion." 510 U.S. at 534 (emphasis added).

B. The Use of Weighted Factors Is Inconsistent with Section 505.

The Second Circuit's formulation of the multi-factor analysis suggested by the *Fogerty* Court emphasizes the particular importance of the objective unreasonableness factor at the risk of directing, rather than guiding, the district court's analysis. In *Matthew Bender & Company, Inc. v. West Publishing Co.*, 240 F.3d 116 (2d Cir. 2001), the Second Circuit reviewed a fee award in the wake of *Fogerty* and held that "objective reasonableness is a factor that should be given substantial weight in determining whether an award of attorneys' fees is warranted." *Id.* at 122.

As a result, "a number of courts in [the Second] [C]ircuit have awarded attorneys' fees to prevailing defendants solely upon a showing that the plaintiff's

position was objectively unreasonable, without regard to any other 'equitable factor.'" *Baker v. Urban Outfitters, Inc.*, 431 F. Supp. 2d 351, 357 (S.D.N.Y. 2006).[3] This is unsurprising in light of the *Matthew Bender* court's reliance on a pre-*Fogerty* Second Circuit case for the proposition that the "principle [*sic*] purpose of the [Copyright Act] is to encourage the origination of creative works by attaching enforceable property rights to them." 240 F.3d at 122, (*quoting Diamond v. Am-Law Publ'g Corp.*, 745 F.2d 142, 147 (2d Cir. 1984)). This reasoning encourages the "one-sided" view of the Copyright Act that the *Fogerty* Court criticized as "flawed" because it failed to recognize that "copyright law ultimately serves the purpose of enriching the general public through access to creative works." 510 U.S. at 525-27.

The Second Circuit's rule that "substantial weight" be placed on the objective unreasonableness, *vel non*, of the losing party's position downplays the potential relevance of other factors that could support fee awards. By mandating that one of at least several non-exclusive factors should receive "substantial weight," the Second Circuit's formulation has, in effect, created a categorical rule, making it more difficult for a prevailing party to

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[3] Although the *Matthew Bender* court acknowledged that a finding of objective reasonableness did not "***necessarily*** preclude[ ] the award of fees," 240 F.3d at 122 (emphasis added), the "substantial weight" on that factor, as required by the Second Circuit, risks removing discretion from the district courts.

obtain fee awards against opponents who hold objectively reasonable factual and legal positions.

This Court has warned against imposing categorical rules that impinge upon a district court's exercise of equitable discretion. "The essence of equity jurisdiction has been the power to mould each decree to the necessities of the particular case. Flexibility rather than rigidity has distinguished it." *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 312 (1982) (quoting *Hecht Co. v. Bowles*, 321 U.S. 321, 329 (1944)); *see also Holmberg v. Ambrecht*, 327 U.S. 392, 396 (1946) ("Equity eschews mechanical rules; it depends on flexibility."). In *eBay Inc.*, this Court not only rejected the Federal Circuit's presumption in favor of injunctions in patent cases, the Court rejected the district court's apparent rule that a "'plaintiff's willingness to license its patents' and 'its lack of commercial activity in practicing the patents' would be sufficient to establish that the patent holder would not suffer irreparable harm if an injunction did not issue." *Id.* at 390. This Court warned that "traditional equitable principles do not permit such broad classifications" and required the district court to engage in a flexible analysis considering the totality of the circumstances of the parties in the case. *Id.* at 392.

Likewise, this Court has noted that "in the comparable context of the [Patent] Act," the imposition of rigid formulae on what should be a case-by-case, totality-of-the-circumstances inquiry is improperly restrictive of district courts' exercise of discretion with respect to attorney's fees. *Octane Fitness*, 134 S. Ct. at 1756. Given that the statutory

text of the copyright fee provision lacks even the one constraint dictated by the Patent Act—that fees should be awarded in "exceptional" cases—the prescription of rules or formulae for the fee analysis in the copyright context is even more inappropriate.

In sum, the Second Circuit's formulation of the totality-of-the-circumstances analysis under Section 505, mandating that one non-exclusive factor to consider should be accorded "substantial weight," cannot be squared with Congress' intent to confer equitable discretion upon the courts. *See eBay Inc.*, 547 U.S. at 393 (imposing categorical rules on the decision to grant an injunction "cannot be squared with the principles of equity adopted by Congress").

III. Section 505 Requires a Totality-of-the-Circumstances Analysis.

In place of rigid rules, presumptions, or weighted standards, district courts should exercise the equitable discretion conferred by Section 505 on a case-by-case basis, in a manner that is consistent with the purposes of the Copyright Act. In a footnote of its *Fogerty* decision, this Court referenced a "non-exclusive" list of factors outlined in the Third Circuit case of *Lieb v. Topstone Industries, Inc.*, namely, "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." 788 F.2d 151, 156 (3d Cir. 1986). As the Third Circuit explained in setting out its list of non-exclusive factors, "[w]e expressly do not limit the factors to those we have

mentioned, realizing that others may present themselves in specific situations. Moreover, we may not usurp that broad area which Congress has reserved for the district judge." *Id.* at 156. This Court noted that "such factors may be used to guide courts' discretion, so long as such factors are faithful to the purposes of the Copyright Act and are applied to prevailing plaintiffs and defendants in an evenhanded manner." 510 U.S. at 534 n.19.

Because the regional circuits have varied in their formulation and analysis of these non-exclusive factors in their review of discretionary fee awards under Section 505, this Court should offer additional guidance, consistent with its other pronouncements on the exercise of equitable discretion, including most recently in its *Octane Fitness* decision. In particular, the Court should reaffirm the equitable discretion of the district courts to conduct a totality-of-the-circumstances analysis—guided by the non-exclusive factors identified in *Lieb*, as well as others that may present themselves in a specific case—and reiterate that the totality-of-the-circumstances test must be mindful of the complex purposes of the Copyright Act. *See Octane Fitness,* 134 S. Ct. at 1756 n.6 (favorably noting that, in *Fogerty*, the Court explained that district courts could consider the non-exclusive *Lieb* factors).

A. The District Court May Consider the Strength of the Losing Party's Position.

The strength of the losing party's position on the merits is an appropriate factor to consider in a Section 505 fee award analysis. However, a rule that

essentially requires "objective unreasonableness" or "frivolousness" to support a fee award threatens to render Section 505 superfluous. As this Court has noted on several occasions, *see, e.g., Octane Fitness*, 134 S. Ct. at 1758, statutory fee-shifting provisions must not be construed such that they are merely coextensive with courts' "inherent power" under the common law to award fees to a prevailing party when the losing party has "acted in bad faith, vexatiously, wantonly, or for oppressive reasons." *Id.* (quoting *Alyeska Pipeline Service Co. v. Wilderness Society*, 421 U.S. 240, 258-59 (1975)).

The intent of Congress in enacting Section 505 was to displace the absolute application of the American Rule and expand the district courts' exercise of equitable discretion to award of attorney's fees in copyright cases beyond the discretion they already had to award fees for bad faith and vexatious litigation. *See Cooter & Gell v. Hartmax Corp.*, 496 U.S. 384, 392-93 (1990); *see also Chambers v. NASCO, Inc.*, 501 U.S. 32, 45-46 (1991) ("[A] court may assess attorney's fees when a party has acted in bad faith, vexatiously, wantonly, or for oppressive reasons." (internal quotation marks omitted)); 28 U.S.C. § 1927 (any attorney who multiplies proceedings unreasonably and vexatiously may be required by the court to satisfy personally the excess costs, expenses, and attorney's fees); Fed. R. Civ. P 11. Because a frivolous or objectively unreasonable litigation position could serve as grounds for a fee award under Rule 11 and the court's inherent power, Section 505 must allow courts to consider whether fees are warranted in

instances where palpably weak, but not utterly baseless, claims or defenses are asserted.

Courts in the First Circuit have articulated a formulation for assessing the strength of the losing party's position that captures this less stringent standard. Instead of asking whether the unsuccessful party's claim or defense is "frivolous" or "objectively unreasonable," the inquiry is whether the party's claim is "objectively quite weak." *See InvesSys, Inc. v. McGraw-Hill Cos., Ltd.*, 369 F.3d 16, 21 (1st Cir. 2004) (considering "dubious" nature of plaintiff's ownership claim); *Garcia-Goyco v. Law Envtl. Consultants, Inc.*, 428 F.3d 14, 21 (1st Cir. 2005) (discussing "objectively weak" standard).

Importantly, the "objectively weak" factor may permit the award of fees but does not require it. *See Airframe Sys., Inc. v. L-3 Comm'ns Corp.*, 658 F.3d 100, 108-09 (1st Cir. 2011) (affirming denial of fees to prevailing defendant despite failure of proof on essential elements of claim). Conversely, as the First Circuit has also explained, "[d]epending on other circumstances, a district court could conclude that the losing party should pay even if all of the arguments it made were reasonable." *See Matthews v. Freedman*, 157 F.3d 25, 29 (1st Cir. 1998). The "objectively weak" inquiry provides a useful lens through which district courts can view the losing party's position on the merits.

B. The District Court May Consider a Party's Motivation.

A party's motivation and conduct may be considered in the district court's fee analysis under Section 505. *See Lieb*, 788 F.2d at 156. Here again, as the court in *Lieb* recognized, the court may consider a litigant's conduct even if it has not engaged in highly culpable conduct such as litigation brought in bad faith, willful infringement, or like misconduct. *See id.* at 156 ("we do not require bad faith" as a prerequisite for the award of counsel fees under the Copyright Act).

Improper motivation can take many forms, underscoring the need for a flexible totality-of-the-circumstances analysis. For example, in *Bond v. Blum*, 317 F.3d 385, 397-98 (4th Cir. 2003), the court considered the motivation of a stepfather who was using copyright law to try to block evidence from appearing in a child custody suit. "The [district] court stated that Bond misused the Copyright Act and that he was motivated by a desire to suppress the underlying facts of his copyrighted work rather than to safeguard its creative expression." *Id.* The use of a weak copyright claim to "bootstrap a state law contract action into federal court" likewise may evidence improper motivation. *See, e.g., Garcia-Goyco,* 428 F.3d at 21 (affirming district court's award of fees without reaching the issue of copyright misuse because district court could properly find that the claim was lacking in merit).

There is also the potential for a litigant to use the specter of expensive, lengthy litigation as

leverage to force an opposing party to settle. For example, in *Assessment Techs.*, the court highlighted a form of copyright misuse that occurs when a company seeks to gain an advantage over a competitor by asserting rights outside the scope of copyright protection. 361 F.3d, 434, 437 (7th. Cir. 2004) (holding that "[f]or a copyright owner to use an infringement suit to obtain property protection, here in data, that copyright law clearly does not confer, hoping to force a settlement or even achieve an outright victory over an opponent that may lack the resources or the legal sophistication to resist effectively" could be a form of copyright misuse). The prospect of fees can prompt parties to "stop and think" before surrendering meritorious positions, or wielding the expense of litigation for improper purposes. Accordingly, a party's motivation may be considered in a district court's fee analysis.

C. "Considerations of Compensation and Deterrence" Include Litigation Misconduct.

Fee shifting is a tool for district courts to control the conduct of the parties, to sanction litigation misconduct, or to shift the risks and burdens of particular litigation tactics in order to encourage or discourage certain types of behavior. *See, e.g.*, *Octane Fitness,* 134 S. Ct. 1749; *Fogerty,* 510 U.S. at 522-25; *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384, 393 (1990). Consistent with this Court's decision in *Octane Fitness*, a court may also consider litigation conduct in connection with its compensation and deterrence analysis. *See Octane Fitness*, 134 S. Ct. at 1756 (courts may consider "the unreasonable manner in which the case was

litigated"). In *Bridgeport Music, Inc. v. Dimension Films*, 410 F.3d 792, 809 (6th Cir. 2005), for instance, the Sixth Circuit found that "conduct that complicated rather than streamlined the issues and contributed to the multiplication of fees for the defendant" supported the issuance of a fee award for purposes of "compensation and deterrence." In that case, plaintiffs had inundated the court with paperwork that was "hastily prepared and often lack[ing] in sufficient factual or legal support." *Id.*

Importantly, litigation misconduct need not rise to the level of vexatious conduct that violates Rule 11 in order to be relevant for a fee analysis under Section 505. *See Octane*, 134 S. Ct. at 1757 (court may award fees under Section 285 of the Patent Act for unreasonable conduct that is "not necessarily independently sanctionable"). The inquiry should be whether a party unjustly imposed costs on its adversary in excess of those warranted by the strength of its claims or defenses, in light of all of the relevant circumstances. *See generally Precision Instrument Mfg. Co. v. Automotive Maintenance Machine Co.*, 324 U.S. 806, 814 (1945) ("he who comes into equity must come with clean hands"). This flexibility in the awarding of fees provides the district court with an important case management tool to help deter overly aggressive litigation tactics by both plaintiffs and defendants, whether prevailing or non-prevailing.

D. The District Court Should Consider the Purposes of the Copyright Act as a "Check" on Its Discretion.

The *Fogerty* Court emphasized that the factors that district courts might use to "guide [their] discretion" must be "faithful to the purposes of the Copyright Act." 510 U.S. at 534 n.19. Because the Section 505 inquiry must take into account the totality of the circumstances, courts cannot make fee determinations by simply "checking the boxes" of the *Lieb* factors (or any other factors). It is not the case that any one factor is required to justify a fee award, nor is it the case that any of the factors, if found, invariably necessitates a fee award. This means that, in some circumstances, fees might be appropriate, and consistent with the purposes of the Copyright Act, even where the losing party has not been frivolous, objectively unreasonable, or improperly motivated. At the same time, any combination of factors might not be sufficient if a fee award would be inconsistent with the purposes of the Copyright Act. As this Court emphasized in *Fogerty*, "there is no precise rule or formula for making these determinations," but instead equitable discretion should be exercised. *Id.* at 534 (*quoting Hensley* v. *Eckerhart*, 461 U.S. 424, 436-437 (1983)).

Ultimately, the "purposes of the Copyright Act" serve as a "check" on a court's discretionary fee determination based on consideration of the relevant factors. Consistent with this Court's decision in *Indep. Fed'n of Flight Attendants v. Zipes*, 491 U.S. 754, 759 (1989), there are "limits 'in the large objectives' of the relevant Act which embrace certain

'equitable considerations.'" As this Court pointed out in *Fogerty*, "the policies served by the Copyright Act are more complex, more measured, than simply maximizing the number of meritorious suits for copyright infringement." 510 U.S. at 526.

Indeed, many different policy judgments can be gleaned from various provisions of the Copyright Act. Some are broadly applicable—for example, the availability of increased statutory damages against willful infringers and reduced statutory damages against innocent infringers suggests a policy of deterring willful infringement and not unduly punishing innocent infringement. 17 U.S.C. § 504(c)(2). This policy might well inform a court's decision regarding whether to award fees to a successful plaintiff in a case in which the defendant has been shown to have infringed innocently. Similarly, the codification of the judicially created fair use doctrine at 17 U.S.C. § 107 reflects Congress' general concern that the monopoly created by copyright not be extended so far that it actually hinders "the progress of science and useful arts." U.S. Const., Art. I, § 8, cl. 8. With the enactment of § 107, Congress confirmed that "the monopoly privileges [it] authorized are limited in nature and must ultimately serve the public good." *Fogerty*, 510 U.S. at 526. As a result, a court evaluating a prevailing plaintiff's fee petition in a case involving a strong, but ultimately unsuccessful, fair use defense asserted in good faith might reasonably consider the policies underlying Congress' adoption of fair use in deciding whether to award fees as part of its equitable analysis in that case.

Other policy judgments are more specific—for example, the various limitations on the exclusive rights of copyright holders embodied in the statute suggest that Congress intended to provide special protection or encouragement for certain categories of users or uses, including nonprofit educational institutions (17 U.S.C. § 110(1)), libraries and archives (17 U.S.C. § 108), religious congregations (17 U.S.C. § 110(3)), and the visually impaired (17 U.S.C. § 121). Courts may in appropriate circumstances consider the policies underlying these limitations in a fee-award analysis.

Indeed, in the discretionary context of injunctions, this Court has recognized that the policies embodied in the Copyright Act's substantive protections for certain uses of copyrighted works may be relevant to a court's determination of the appropriate relief when a defendant is found to have exceeded the scope of those protected uses. For example, in *Campbell v. Acuff-Rose Music, Inc.*, the Court explained:

> Because the fair use enquiry often requires close questions of judgment as to the extent of permissible borrowing in cases involving parodies (or other critical works), courts may also wish to bear in mind that the goals of the copyright law, "to stimulate the creation and publication of edifying matter," [Leval, *Toward a Fair Use Standard*, 103 Harv. L. Rev. 1105, 1134 (1990)] are not always best served by automatically granting injunctive relief when parodists are found to have gone

> beyond the bounds of fair use. *See 17 U.S.C. § 502(a)* (court "***may*** grant injunctions on such terms as it may deem reasonable to prevent or restrain infringement").

510 U.S. 569, 578 n.10 (1994). As noted above, similar policy considerations, including concern for protecting parody, criticism, and the public domain, may in appropriate cases support an award of fees to an accused infringer that has been found *not* to have exceeded the bounds of fair use, for example.

Moreover, the Copyright Act applies to, and attempts to address issues presented by, a vast array of disparate works and products, from books and paintings to motion pictures, computer operating systems, architectural works, and software embedded in consumer products. 17 U.S.C. § 101. As this Court has recognized, the complexity of the Copyright Act and the purposes it serves makes it difficult to craft broadly applicable rules to govern fee awards. Instead, a district court must evaluate the various equitable factors that present themselves in a specific case to assess whether a fee award is appropriate; in doing so, the court must also ensure that its determination is consistent with the various policy judgments Congress has expressed through the text and legislative history of the Copyright Act.[4]

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[4] The complexity of purposes embodied in the Copyright Act distinguishes Section 505 from 28 U.S.C. § 1447(c), at issue in *Martin*. In that case, this Court determined that "the standard

CONCLUSION

With its enactment of Section 505 of the Copyright Act, Congress entrusted to the district judges the discretion to award fees to prevailing parties in copyright cases. Consistent with the long-standing tradition of equitable discretion, this Court has emphasized that "[t]here is no precise rule or formula for making [fee award] determinations." *Fogerty*, 510 U.S. at 534 (citation omitted). Rather, the decision must rest with the district courts' equitable discretion precisely because—as demonstrated by the approaches adopted by the Second, Fifth, and Seventh Circuits—it is difficult to fashion or apply rigid rules and tests evenhandedly, without usurping the power that Congress reserved for the district courts.

This Court should reaffirm the district courts' discretion in awarding fees to ensure that they have room to craft remedies that are not only appropriate to the circumstances of each case but also consistent with the overarching public-interest goals of copyright law. To guide the totality-of-the-circumstances analysis of the facts and equities, this

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for awarding fees should turn on the reasonableness of the removal" in light of "the desire to deter removals sought for the purpose of prolonging litigation and imposing costs on the opposing party, while not undermining Congress' basic decision to afford defendants a right to remove as a general matter, when the statutory criteria are satisfied." 546 U.S. 132, 140-41 (2005). In light of the significantly more complex policies served by the Copyright Act, such a simple formulation of the standard for fees is inappropriate here.

Court should endorse consideration of non-exclusive factors, including objective reasonableness, frivolousness, motivation, and the need in particular circumstances to consider compensation and deterrence, mindful of the complex and measured purposes of the Copyright Act.

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SUPAP KIRTSAENG D/B/A BLUECHRISTINE99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF OF THE COPYRIGHT ALLIANCE AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENT

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BRIEF OF THE COPYRIGHT ALLIANCE AS *AMICUS CURIAE* IN SUPPORT OF THE RESPONDENT JOHN WILEY & SONS, INC.

The undersigned *amicus curiae* respectfully submits this brief in support of respondent John Wiley & Sons, Inc. to affirm the decision of the United States Court of Appeals for the Second Circuit denying petitioner Supap Kirtsaeng's motion for attorney's fees under the Copyright Act.[1]

IDENTITY AND INTEREST OF THE *AMICUS CURIAE*

The Copyright Alliance is a nonprofit, nonpartisan 501(c)(4) public interest and educational organization dedicated to promoting and protecting the ability of creators and innovators to earn a living from their creativity. It represents thousands of creators and innovators across the spectrum of copyright disciplines, including for example, writers, musical composers and recording artists, journalists, documentarians and filmmakers, graphic and visual

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[1] Pursuant to Supreme Court Rule 37.6, *amicus curiae* states that no counsel for any party authored this brief in whole or in part, and no party or counsel for any party made a monetary contribution intended to fund the preparation or submission of this brief. Only *amicus curiae* made such a monetary contribution. Pursuant to Supreme Court Rule 37.3(a), blanket consents for the filing of *amicus curiae* briefs have been filed by both parties in this case.

artists, photographers, and software developers – and the small businesses that are affected by the unauthorized use of their works. The Copyright Alliance's membership encompasses these individual creators and innovators, creative union workers, and small businesses in the copyright industry, as well as the organizations and corporations that support and invest in them.

Consistent with its mission of advocating policies that promote and preserve the value of copyright, and protecting the rights of creators, the Copyright Alliance's participation as an *amicus* in this case is with the goal of helping this Court understand, from the perspective of content creators, how the lower federal courts should apply the factors enunciated in *Fogerty v. Fantasy, Inc.* when deciding whether to award attorney's fees to a prevailing party in a copyright litigation.

Copyright Alliance members are particularly focused on ensuring that those who bring objectively reasonable claims are not penalized if they do not prevail. From the members' perspective, this approach would further the goals of the Copyright Act, including establishing economic incentives to create and disseminate ideas and new works, and fostering the creation and spread of knowledge and learning.

SUMMARY OF THE ARGUMENT

For 22 years the U.S. district courts and courts of appeal have been steadily building a body of jurisprudence around the framework this Court established in *Fogerty v. Fantasy, Inc.* Throughout the years, the courts, while perhaps viewing the *Fogerty* case through various lenses, have pursued the common goal of encouraging legal claims and defenses that further the policies underlying the Copyright Act using the four factors set out in *Fogerty*. More than two decades after *Fogerty*, this Court is again called upon to clarify the standards governing 17 U.S.C. § 505, and the Copyright Alliance believes it should do so by distilling the wisdom of the lower federal courts with a focus on two main principles.

First, the *Fogerty* factors are simultaneously independent and interdependent. Each factor should be considered standing on its own and should receive due consideration from the courts, but each one also bears some relationship to the others, and this interrelationship should not be overlooked. Courts should see the forest for the trees when analyzing these factors; the *Fogerty* analysis is not a balancing test, but rather is a nuanced and fluid analysis of the objectives of the factors to ultimately determine whether the parties' claims and defenses,

motivations, conduct, and incentive structures serve the underlying goals of the Copyright Act.

Fogerty's myriad progeny sufficiently differentiate the types of claims and defenses that are objectively reasonable (in particular, difficult or novel legal issues) from those that are unreasonable or frivolous, as well as laudable motives from improper ones, and behaviors by litigants that deserve to be deterred from those that merit compensation. Each factor is important to the promotion of copyright policy, but no one factor alone should be dispositive of the analysis in a given case.

Second, the district courts are in the best position to scrutinize the *Fogerty* factors given that those courts will naturally have the most knowledge about the proceedings, the parties, the facts, and the evidence, as well as the parties' litigation tactics and conduct. Attorney's fee awards are subject to an abuse-of-discretion review for this very reason. While district courts' discretion is certainly not unlimited, and is even subject to certain statutory limitations under the Copyright Act, assuming the trial courts properly follow the roadmap outlined in *Fogerty*, the appellate courts should ensure that the district courts' factual findings are afforded sufficient deference.

The district court in this case thoroughly reviewed each *Fogerty* factor based on its firsthand knowledge of the case and familiarity with the parties, and came to a decision – one that was easily

affirmed by the Second Circuit – that cannot reasonably be deemed an abuse of discretion. Following the principles discussed herein, the courts below denied fees to the petitioner because to hold otherwise would have been out of step with the policies underlying the Copyright Act. Those decisions should be left undisturbed.

ARGUMENT

I. COURTS SHOULD DULY CONSIDER EACH OF THE INTERRELATED *FOGERTY* FACTORS WITHOUT PLACING DISPOSITIVE WEIGHT ON ANY SINGLE FACTOR

As the parties explain at length in their merits briefs, this Court, in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994), set forth several non-exclusive factors that lower courts should balance and analyze when determining whether to award attorney's fees to a prevailing party in a copyright case under 17 U.S.C. § 505: "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." *Id.* at 534 n.19 (internal citation omitted).

Each factor is potentially important, but no one factor is dispositive and not all factors will

necessarily apply in a given case. *See generally Matthew Bender & Co., Inc. v. West Pub. Co.*, 240 F.3d 116 (2d Cir. 2001). Moreover, courts should not look at any one factor in a vacuum because many of the factors will inherently overlap and affect one another; for instance, the unreasonableness or frivolity of a party's claim or defense may reveal a party's motivation, and a party's motivation will affect whether a court needs to deter that party from future bad-faith conduct or whether equity compels compensation to the prevailing party. Taking into account this blurring of lines, courts in their discretion should look to each factor individually to glean how each factor applies in practice. The task is not a mechanical one, and depends on an expansive view of the case.

As an advocate for copyright creators who find themselves on both sides of the "v," the Copyright Alliance urges the Court to ensure that the lower federal courts engage in this holistic and fact-intensive analysis of all of the *Fogerty* factors as to claims for attorney's fees by both plaintiffs and defendants. Specifically, the Copyright Alliance contends that the courts should consider whether a claim or defense is one where reasonable minds could differ; whether a party was motivated by the advancement of copyright policy or by bad faith justifications that should be deterred; and whether equitable reasons exist that would justify compensating the prevailing party.

A. Under the "Objective Unreasonableness" Factor, Courts Should Analyze Whether a Particular Legal Position Is One Where Reasonable Minds Could Differ.

In determining whether a legal claim or defense is objectively unreasonable under the first *Fogerty* factor, courts should take into account whether that claim or defense raises novel theories or addresses particularly complex, difficult, or unsettled legal questions (especially matters of first impression). Because copyright law ultimately serves the purpose of enriching the general public through access to copyrighted works, *see Fogerty*, 510 U.S. at 524, *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975), it is critical that "the boundaries of [the] law be demarcated as clearly as possible." *Fogerty*, 510 U.S. at 527 Litigating difficult legal issues to clear decisions accomplishes that goal. Plaintiffs and defendants alike should be encouraged to bring their claims before the courts without the fear of having to pay their adversaries' attorney's fees as a result of making colorable but ultimately unsuccessful arguments. *See id.* at 527 ("[D]efendants who seek to advance a variety of meritorious copyright defenses should be encouraged to litigate them to the same extent that plaintiffs are encouraged to litigate meritorious claims of infringement.").

Courts around the nation have analyzed the appropriateness of awarding attorney's fees under

§ 505 in the face of innumerable factual scenarios and legal quandaries. The spectrum is broad, but reviewing cases from the opposite sides of the continuum helps to bring into focus the types of legal issues that courts deem challenging, complex, or unclear enough such that even losing positions are seen as objectively reasonable – as contrasted with cases where a party took an obviously meritless position, oftentimes on much less hotly contested matters.

As is evident from the sampling of cases in subsection (1) below, Wiley's case against Kirtsaeng quite clearly falls into the category of cases where an unsuccessful party's position on a difficult legal issue was objectively reasonable. The legal debate concerning the § 109 first sale doctrine's applicability to goods created abroad was undisputedly complex and hard-fought; as the Second Circuit explained, Wiley "prevailed both in the district court and in its initial appeal, only to ultimately lose in a split decision" by this Court, and Kirtsaeng did "not seriously contest" that Wiley's position was objectively unreasonable. *John Wiley & Sons, Inc. v. Kirtsaeng*, 605 F App'x 48, 49 (2d Cir. 2015). In fact, the very issue central to this case was difficult enough to split this Court's vote 4-4 in *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 986 (9th Cir. 2008), *aff'd by an equally divided court*, 562 U.S. 40 (2010). Moreover, as the district court below recounted, the Second Circuit, Ninth Circuit,

and the Solicitor General (as *amicus*) "all agreed with Wiley's reading of the relevant ambiguous statutory language." *John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08-CV-07834(DCP), 2013 WL 6722887, at *3 (S.D.N.Y. Dec. 20, 2013).

1. *Objectively Reasonable Cases: Fees Declined*

Copyright infringement cases arising in the context of undeveloped, divisive, and newly emerging areas of the law – as is the case here – tend to be ripe for a denial of attorney's fees. For both plaintiffs and defendants, courts should, and often do, look to encourage claims and defenses that bring the boundaries of copyright law into sharper relief, and many have determined that awarding attorney's fees in circumstances when the proponent of a novel claim or defense has lost would discourage future parties from making such innovative arguments.

Lotus Dev. Corp. v. Borland Int'l, Inc., 140 F.3d 70 (1st Cir. 1998), is an archetypal example of a case involving "objectively reasonable" legal positions raised in a divisive case that contributed toward setting the metes and bounds of copyright law There, the First Circuit affirmed the district court's denial of an attorney's fee award to a prevailing defendant because the "hard-fought litigation" had addressed "a novel and unsettled question of copyright law" regarding the copyrightability of software menu command hierarchies. *Id.* at 71. The

case resulted in "four separate district court opinions," a reversal by the First Circuit holding that the menu trees were uncopyrightable "methods of operation," and an affirmance by this Court as a result of a "deadlock[] on the merits" by equally divided Justices. *Id.* The court held that the parties had sought "to protect their own economic interests" by litigating this novel issue and therefore the "award of fees was not warranted" under *Fogerty*. *Id.*

Similarly, in *Matthew Bender & Co., Inc. v. West Publishing Co.*, 240 F.3d 116 (2d Cir. 2001), the Second Circuit vacated the district court's award of attorney's fees to the prevailing plaintiff because the issue of copyrightability of certain editorial enhancements and pagination added to otherwise public-domain case law reports had "provoked vigorous dissenting opinions agreeing with [defendant's] positions" and because other district and circuit courts had "ruled in [defendant's] favor on a substantially similar issue." *Id.* at 122. This diversity of opinions leading up to the clarification of a previously unclear question of copyright law was critical in determining that the defendant's arguments, while unsuccessful, were objectively reasonable and that such similarly creative claims should not be discouraged by an attorney's fee award.

Courts confronting the legal implications of new technologies often fall in step with cases like *Lotus*

and *Matthew Bender*, particularly given that copyright law sometimes lags behind the ever-burgeoning technology industries. For instance, in *HarperCollins Publishers LLC v. Open Road Integrated Media, LLP*, 58 F Supp. 3d 380 (S.D.N.Y. 2014), the district court declined to award attorney's fees to a publishing house against the publisher of an electronic version of the novel *Julie of the Wolves* because, while the publishing contract at issue clearly foreclosed the defendant's rights to publish electronic versions of the book, the defendant's argument to the contrary was not objectively unreasonable given that the "dispute arose in the context of" electronic publishing rights – "a developing, and still somewhat uncharted, area of copyright law." *Id.* at 390. *See also Compaq Comput. Corp. v. Procom Tech., Inc.*, 908 F Supp. 1409, 1429 (S.D. Tex. 1995) (denying prevailing plaintiff's fees motion against computer hardware manufacturer; defendant's copyright arguments were not objectively unreasonable because "[t]he relationship between copyright law and the computer industry is an ever evolving one and it was not unreasonable for [defendant] to believe that its actions may have been permissible."). This is not to say, of course, that the presence of new technology alone should justify denying an award of fees. Where a copyright violation is blatant and willful, such as in cases of online piracy and file sharing, the use of a previously unknown form of technology to

accomplish the piracy should not excuse the losing party from paying an award of fees; the technology, itself, in that case would be immaterial to the legal challenge.

Courts have reached consistent conclusions in the face of complex legal issues in more traditional copyright contexts as well, including in cases dealing with nuanced questions of legal standing. In *Murray Hill Publications, Inc. v. ABC Communications, Inc.*, 264 F.3d 622 (6th Cir. 2001), *abrogated on other grounds by Reed Elsevier, Inc. v. Muchnick*, 559 U.S. 154 (2010), the Sixth Circuit reversed an award of attorney's fees to the prevailing defendant because, at the time of the suit, the law regarding copyright registration as a prerequisite to filing suit "was unsettled" and the movie producer plaintiff's claims of infringement of its copyrighted song as used by the radio station defendant were "colorable, albeit meritless." *Id.* at 639-40.

As a result of the plaintiff's claims in *Murray Hill*, the court held, as a matter of first impression in the circuit, that a separate copyright registration of a derivative work – and not just the original underlying work – was a necessary prerequisite to suing for infringement of the derivative work. *See id.* at 632. Plaintiff had failed to register the derivative work in question and therefore its infringement claim failed, but its arguments were objectively reasonable because the law was previously unclear. *See also Nafal v. Carter*, 388

Fed. App'x 721 (9th Cir. 2010) (affirming district court's denial of fees to prevailing musician defendants because the case involved complex questions of copyright licensing, ownership, and legal standing by assignee of a song).

2. *Objectively Unreasonable Cases: Fees Granted*

The decisions discussed above contrast sharply with the following examples of cases on the other end of the spectrum, where an unsuccessful party's claim was obviously unreasonable and/or did not address a novel or legally complex facet of copyright law.

Courts have awarded fees to prevailing defendants in cases where a plaintiff maintains a position that is flatly contradicted by the factual record. The Ninth Circuit in *Maljack Prods., Inc. v. GoodTimes Home Video Corp.*, 81 F.3d 881 (9th Cir. 1996), affirmed the district court's grant of fees to a successful defendant accused of violating plaintiff's synchronization rights in music contained in a motion picture that the defendant had distributed on videotape. The court held that plaintiff did not own the claimed rights and therefore had no standing to sue for copyright infringement, noting that the plaintiff's copyright claims "were objectively unreasonable" and "presented no complex or novel questions of copyright law." *Id.* at 885. The court also awarded fees "incurred in defending the

copyright claims on appeal" because the plaintiff's claims were "completely contradicted by" the contract that governed the synchronization rights and were, "if not frivolous, at least factually unreasonable." *Id.* at 890. *Cf. DeliverMed Holdings, LLC v. Schaltenbrand*, 734 F.3d 616 (7th Cir. 2013) (affirming award of attorney's fees to the prevailing defendant when the plaintiff had lied in its copyright application).

Similarly, in *Diamond Star Bldg. Corp. v. Freed*, 30 F.3d 503, 506 (4th Cir. 1994), the court of appeals reversed the district court's denial of fees to a prevailing defendant where the plaintiff was put on notice of the defects in its highly unreasonable claim yet forged ahead anyway. Plaintiff had registered the copyright in an advertising brochure containing the design of a Victorian ranch-style house, and sued the defendant for using a similar design in its buildings. *See id.* at 505. Plaintiff persevered with its claim despite warnings from the defendant that the claim was spurious and sanctionable. The district court ultimately agreed; it characterized the matter as "a defamation of a copyright case"; "a piece of litigation that should never have been brought"; and "a case of absolute insignificance," yet it did not award fees. *Id.* at 506. The Fourth Circuit agreed that plaintiff's "infringement action was without merit for numerous reasons," and concluded that "when a party has pursued a patently frivolous position, the failure of a district court to award

attorney's fees and costs to the prevailing party will, except under the most unusual circumstances, constitute an abuse of discretion." *Id.*

Prevailing defendants also often win fees in actions where plaintiffs are seldom successful, such as "idea theft" cases, which are all too familiar to copyright owners in the entertainment world. For instance, in *Williams v. Crichton*, 891 F. Supp. 120 (S.D.N.Y. 1994), the court awarded the prevailing book publisher defendants attorney's fees because the plaintiff's claims were based on alleged copying of the uncopyrightable idea of a dinosaur zoo, and in *Tillman v. New Line Cinema*, 374 Fed. App'x 664 (7th Cir. 2010), the Seventh Circuit affirmed the grant of attorney's fees because the plaintiff had pursued a copyright infringement action for two years despite evidence that the producers' movie was written five years before the writer's screenplay. *See also Gable v. Nat'l Broad. Co., Inc.*, 438 Fed. App'x 587 (9th Cir. 2011) (affirming district court's award of attorney's fees to television producer defendants in lawsuit claiming that their show infringed plaintiff's screenplay where no proof of substantial similarity was offered); *Goldberg v. Cameron*, No. 05-CV-03534 RMW, 2011 WL 3515899, at *4 (N.D. Cal. Aug. 11, 2011) (awarding defendant attorney's fees where plaintiff, *inter alia*, "failed to produce any evidence, apart from his own speculative oral testimony, that [plaintiff] had any access to his script and soundtrack").

The results prove to be the same for prevailing plaintiffs in cases where defendants assert unsupportable defenses. For example, in *Miroglio S.P.A. v. Conway Stores, Inc.*, 629 F Supp. 2d 307 (S.D.N.Y 2009), the court awarded attorney's fees to the prevailing plaintiff home furnishings designer where the defendant wholesaler unreasonably contended that the curtains at issue were not substantially similar to the plaintiff's copyrighted curtain design when, in fact, the designs were nearly identical. *Id.* at 311.

Similarly, courts tend to award fees to prevailing plaintiffs where a defendant is clearly a bad actor. For instance, fee awards are often granted in counterfeiting cases, which tend to involve deliberate or willful copyright infringement – another component in the courts' determination that a copyright defense is objectively unreasonable. *Microsoft Corp. v. Logical Choice Computs., Inc.*, No. 99-CV-1300, 2001 WL 58950 (N.D. Ill. Jan. 22, 2001), is an apt example. There, the court awarded attorney's fees to the prevailing plaintiff when a computer retailer continued to deliberately and willfully acquire and distribute counterfeit software despite receiving the plaintiff's cease-and-desist letters notifying it that its suppliers were unauthorized and that its products were counterfeit. *See also Microsoft Corp. v. Black Cat Comput. Wholesale, Inc.*, 269 F. Supp. 2d 118, 124 (W.D.N.Y 2002) (awarding attorney's fees for defendants'

willful infringement of software copyrights by selling counterfeit products in the face of multiple cease-and-desist letters).

* * *

This case is far removed from those cases discussed in subsection (2) above; indeed, it is an exemplary scenario of a "close infringement case[]" where "copyright law benefits from the resulting clarification of the doctrine's boundaries," and where an award of fees is not warranted. *Lotus*, 140 F.3d at 75. *See Canal+ Image UK Ltd.* v. *Lutvak*, 792 F Supp. 2d 675, 683 (S.D.N.Y 2011) ("[A] court should not award attorneys' fees where the case is novel or close because such a litigation clarifies the boundaries of copyright law ") (internal citations and quotation marks omitted).

B. A Party's Motivation and the Frivolousness of a Claim or Defense Both Serve to Illuminate a Party's Intentions.

The motivation of a party for lodging a particular claim or defense is obviously a reliable barometer of whether a claim or defense was brought with the intention of furthering the policies of the Copyright Act or was lodged with some other, perhaps more unscrupulous, reason. Relatedly, courts can gain insights into a party's mindset when a claim or defense is clearly frivolous – a factor that often leads to an award of attorney's fees.

1. *Motivation: Intent Gleaned through Conduct*

When analyzing a party's motivation, courts should ask, based on the record and the conduct of the parties and their attorneys, whether a party brought a claim or defense for the purpose of furthering the policies underlying the Copyright Act – *i.e.*, securing a fair return for creative labor in order to stimulate artistic creativity for the public good, *Fogerty*, 510 U.S. at 524, *Aiken*, 422 U.S. at 156 – or to help clarify difficult questions of law in order to provide more certainty in an often uncertain area. *See Fogerty*, 510 U.S. at 527. *See also Jovani Fashion, Ltd. v. Cinderella Divine, Inc.*, 820 F. Supp. 2d 569 (S.D.N.Y 2011) (plaintiff's claim regarding copyright protection for design elements of clothing, although unsuccessful, were justified particularly because the matter "had divided the courts and proven difficult to apply" and had not been brought in bad faith or with improper motive). Good intentions on the part of the non-prevailing party tend to weigh against an award of attorney's fees.

Alternatively, courts should ask whether the record reflects some bad faith motive for the claim or defense that does not further the Copyright Act's policy objectives, or worse, evidences a party's intent to use the law as an instrument for abuse or harassment. Examples of bad faith motives include cases where a litigant uses a copyright lawsuit as a tool to maliciously run up an opponent's legal bills,

see, e.g., Agee v. Paramount Commc'ns, Inc., 869 F Supp. 209 (S.D.N.Y. 1994) (plaintiff's litigation strategy was to escalate defendant's costs); where a party seeks to stifle expression, *see, e.g., Religious Tech. Center v. Lerma*, 908 F Supp. 1362 (E.D. Va. 1995) (plaintiff's sole "reprehensible" motive for suing for copyright infringement of Church of Scientology documents was to stifle criticism of church's practices); and where a litigant engages in obstreperous litigation conduct to obstruct and delay the proceedings for purposes of harassment, *see, e.g., In re Aimster Copyright Litig.*, 86 F App'x 984, 985 (7th Cir. 2004) (defendant "engaged in vexatious litigation in several courts in an effort to avoid complying with the injunction, as well as skipping hearings in the district court and engaging in a variety of stall tactics"); *BWP Media USA Inc. v. Rich Kids Clothing Co., LLC*, 103 F Supp. 3d 1242 (W.D. Wash. 2015) (plaintiff failed to comply with pretrial disclosure and discovery obligations and engaged in other improper litigation tactics). Clearly bad intentions tend to weigh in favor of an award of attorney's fees to the prevailing party

Here, as the district court observed, Wiley's motivations for filing its copyright infringement case against Kirtsaeng in the first place were clearly laudable. *See Kirtsaeng*, 2013 WL 6722887, at *3. Specifically, the record reflected that Wiley reasonably sought to protect its textbook copyrights and to secure its interests against a defendant who

had been adjudged in contempt of a prior attachment order. *See id.* Wiley also helped to "clarif[y] the boundaries of copyright law" by taking the risk of filing its claim against Kirtsaeng when the question of the applicability of the first sale doctrine to foreign manufactured goods was already highly controversial and unpredictable. *See id.* at *5. Moreover, the record contained no evidence of any ulterior motive by Wiley in bringing its claim against Kirtsaeng or any inappropriate litigation tactics on Wiley's behalf. Even though some of Wiley's litigation strategies may have been seen as "aggressive," the district court held that they were not unreasonable or undertaken in bad faith. *See id.* ("Wiley's motions to attach Kirtsaeng's personal property could reasonably have been motivated by a desire to protect the value of a judgment against Kirtsaeng, based on Wiley's belief that Kirtsaeng was withdrawing funds from his bank accounts and transferring title to his property to avoid satisfying a judgment against him.").

2. *Frivolousness: Baseless Claims and Bad Intent*

Courts may be able to further assess an unsuccessful party's intentions and a prevailing party's entitlement to attorney's fees by asking whether a claim or defense was frivolous. A frivolous claim or defense is one that "lacks an arguable basis either in law or in fact" and is

inherently objectively unreasonable. *See Neitzke v. Williams*, 490 U.S. 319, 325 (1989).[2] If a losing party's position is unreasonable to the extent of frivolousness, this fact should hold more weight with courts to sway the balance towards an award of attorney's fees.

Johnson v. Cypress Hill, 641 F.3d 867 (7th Cir. 2011), is instructive. There, the court awarded the defendant music group's attorney's fees where the plaintiff songwriter maintained a copyright infringement claim for four years despite clear notice that the claim was frivolous given that sound recording was not eligible for copyright protection or otherwise covered by a compilation copyright. *See id.* at 873. *See also Great Am. Fun Corp. v. Hosung N.Y. Trading, Inc.*, 42 U.S.P.Q.2d 1729, 1997 WL 129399 (S.D.N.Y. 1997) (successful defendant awarded fees because plaintiff manufacturer knew it was not the owner of the copyright in the toy at issue and brought a copyright claim anyway).

Here, no evidence was presented to the courts below that Wiley's claim against Kirtsaeng was frivolous. In fact, Kirtsaeng did not even seriously contest that Wiley's claim was objectively

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[2] "An objectively unreasonable argument is not necessarily frivolous or made in bad faith," *Matthew Bender*, 240 F.3d at 122, but of course, objectively reasonable arguments inherently will not be frivolous. *See Kirtsaeng*, 2013 WL 6722887, at *3 ("For the same reasons that Wiley's claim cannot be said to have been objectively unreasonable, it was clearly not frivolous.").

reasonable, let alone argue that the claim was frivolous. *See Kirtsaeng*, 605 F App'x at 49. Accordingly, the frivolousness inquiry here should not sway the balance away from a denial of fees.

C. Considerations of Deterrence and Compensation Will Help the Courts to Guide Potential Copyright Litigants Toward Fulfilling the Purposes of the Copyright Act.

The dual *Fogerty* factor of compensation and deterrence sets the stage for courts to engage in two important exercises: creating guideposts to inform parties of the types of claims and behaviors that will not be tolerated, and delineating scenarios where the circumstances or general equity will deem a prevailing party worthy of some form of recompense.

1. *Deterrence: Drawing Clearer Lines to Guard against Unmeritorious Claims and Encourage Clarification of the Law*

Courts should seek to deter against legal positions by both plaintiffs and defendants that do not further the policies underlying the Copyright Act. Specifically, objectively unreasonable positions, frivolous arguments, and claims and defenses brought with improper motivation all inherently fail to uphold the purpose and spirit of the Copyright Act and are worthy of being deterred. *See, e.g.*, *Diamond Star Bldg. Corp.*, 30 F.3d at 506 (noting that "the

goal of deterring a party from pursuing frivolous litigation is furthered by the imposition of attorney's fees and costs here"); *Consol. Sawmill Mach. Intern., Inc. v. Hi-Tech Eng'g, Inc.*, 879 F. Supp. 945 (E.D. Ark. 1995) (attorney's fee award to prevailing defendant was appropriate to deter plaintiff from suing solely to cripple defendant with litigation expenses).

To the contrary, "when the parties are litigating," in good faith, "a matter of some importance to the copyright laws, there is no need for deterrence." *Lotus*, 140 F.3d at 75 (internal quotation marks omitted). As discussed above, where little precedent exists, where reasonable minds could differ, or where legally cogent arguments are presented on each side, fee-shifting may be less appropriate. *See supra* Section I.A. By creating precedent differentiating laudable and desirable claims and defenses from objectionable and undesirable ones, courts can draw clearer lines in the sand such that parties will think twice before advancing unmeritorious claims and will simultaneously be encouraged to litigate challenging positions aimed at clarifying the law and seeking just remedies for claims with merit. As the courts continue to parse the facts and merits of each of these cases, they will inherently create guidelines for future litigants to better understand the risks associated with the prosecution and defense of various positions and the adoption of certain litigation strategies.

Here, there was no need to deter Wiley from bringing similarly complex and difficult copyright claims in the future or to otherwise make an example out of Wiley for seeking to enforce its copyrights through inappropriate motivations or pursuant to any dilatory tactics. *See Kirtsaeng*, 2013 WL 6722887, at *4 (holding that "Wiley did not engage in any conduct that equity suggests should be deterred in the future by the threat of a large fee award because "Wiley brought this action based on its belief that, given then-existing legal interpretations of the Copyright Act, Kirtsaeng was infringing on Wiley's rights").

2. *Compensation: Establishing Incentives Based on Practical Realities and Principles of Equity*

The need to parse the facts of each case applies equally to the second half of this two-part *Fogerty* factor – whether there is good reason to compensate the prevailing party for fees incurred. A generally important consideration for the courts – while not directly applicable here given that Wiley was not the prevailing party – appears to be the amount of damages at issue. Specifically, an award of fees may be appropriate when a prevailing plaintiff's damages are either minimal or are outweighed by the costs of litigation. *See e.g., Beastie Boys v. Monster Energy Co.*, 112 F Supp. 3d 31, 44-45 (S.D.N.Y. 2015) (attorney's fees to prevailing plaintiff appropriate

where fees incurred exceeded damages awarded; fee-shifting would "ensure the Beastie Boys a net positive recovery as to the copyright claims"); *Kinsey v. Jambow, Ltd.*, 76 F Supp. 3d 708 (N.D. Ill. 2014) (fee award appropriate where, despite defendant's willful infringement, statutory damages award was small); *Studio A Entm't, Inc. v. Action DVD*, 658 F Supp. 2d 851 (N.D. Ohio 2009) (attorney's fees awarded to prevailing plaintiff where litigation lasted more than four years for relatively small damages award).

Relatedly, courts should consider whether a prevailing party sought only an injunction as opposed to damages. In such cases courts should look more favorably upon fee awards because injunctions, while inherently non-monetary, are crucial tools in advancing the purposes of copyright protection. *See In re Audiofidelity Enters., Inc.*, 103 B.R. 544, 546 (Bankr. D.N.J. 1989) ("In analyzing the remedies and rights of the parties, it is important to note that an injunction is one of the primary methods of relief in copyright infringement enforcement.") (citing *Arnstein v. Porter*, 154 F.2d, 464 (2d Cir. 1946), *aff'd on rehearing*, 158 F.2d 795 (2d Cir. 1946)). At least one study has shown that courts grant preliminary injunctions in copyright cases 44.1% of the time post-*eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393-94 (2006), evidencing injunctive relief's central role in fully and fairly addressing copyright infringement and

furthering the goals of copyright protection. *See* Jiarui Liu, *Copyright Injunctions After Ebay: An Empirical Study*, 16 Lewis & Clark L. Rev. 215, 232 (2012).

More to the point in this case, attorney's fees also may be appropriate where a party has pursued a claim or defense contrary to its business interests that nonetheless advances copyright policies, *see, e.g.*, *Gable v. Nat'l Broad. Co., Inc.*, 438 Fed. App'x 587 (9th Cir. 2011) (fee award would encourage copyright owners to fight to protect their works where it would be otherwise uneconomical to do so), or was otherwise forced to pursue a claim or defense where equity compels compensation. *See, e.g.*, *In re Indep. Serv. Orgs. Antitrust Litig.*, 23 F Supp. 2d 1242 (D. Kan. 1998) (attorney's fee award to prevailing plaintiff would make copyright owner whole and dissuade defendant's disdain for copyright laws).

Here, Kirtsaeng did not require an incentive to put forth his defenses. Specifically, the district court held that "Kirtsaeng's need for compensation for his legal defense in this case is tempered by his victory" in that he could continue his lucrative "arbitrage business free of the fear of incurring copyright liability." *Kirtsaeng*, 2013 WL 6722887, at *4. This case, therefore, was not "one where continued litigation may have been uneconomical in the absence of the promise of a fee award." *Id. Contra Assessment Techs. of WI, LLC v. WIREdata, Inc.*, 361

F.3d 434, 437 (7th Cir. 2004) (noting that "an award of attorneys' fees may be necessary" for a defendant to be incentivized to press a defense because a defendant "could not obtain an award of damages from which to pay his lawyer no matter how costly it was for him to defend against the suit").

Additionally, equitable considerations did not require compensation here; such considerations were "not so strong as to outweigh the fact that Wiley's claim was not objectively unreasonable," *Kirtsaeng*, 2013 WL 6722887, at *4, nor as discussed above, was it brought pursuant to an improper motivation.

II. THE APPELLATE COURTS SHOULD AFFORD SIGNIFICANT DEFERENCE TO THE DISTRICT COURTS' FACTUAL DETERMINATIONS CONCERNING ATTORNEY'S FEE AWARDS

Attorney's fee awards have historically been reviewed on appeal under the abuse of discretion standard. *Alderman v. Pan Am World Airways*, 169 F.3d 99, 102 (2d Cir. 1999) (review of attorney's fee award "is highly deferential to the district court" and will be reversed on appeal only for an abuse of discretion). *See also Lotus*, 140 F.3d at 72 (courts of appeal will disturb a ruling under § 505 only if the trial court "indulged a serious lapse in judgment"). In *Fogerty*, this Court clarified that fees are to be awarded in the exercise of the district court's

discretion in light of the factors discussed above. *See Fogerty*, 510 U.S. at 534 (noting that "equitable discretion should be exercised" in making attorney's fee determinations in accordance with the factors). Within the confines of the *Fogerty* analysis, district courts are given a wide berth under § 505.

As a practical matter, deferring to the district courts with respect to factual matters over which the district courts have discretion – as articulated through the *Fogerty* factors – makes logical sense. The judges of the district courts will necessarily have the best view of the facts of the case and the clearest understanding of where the equities lie given those courts' firsthand knowledge of the facts, claims, evidence, procedural history, conduct of discovery, motion practice, and witness credibility. *See In re Bolar Pharm. Co., Inc., Sec. Litig.*, 966 F.2d 731, 732 (2d Cir. 1992) (per curiam) (the deferential "abuse of discretion" standard "recognizes that the district court, which is intimately familiar with the nuances of the case, is in a far better position to make certain decisions than is an appellate court, which must work from a cold record"). As this Court made clear in *Fogerty*, "courts are to evaluate cases on an individualized basis, with the primary responsibility resting on the shoulders of the district judge." *Lotus*, 140 F.3d at 75.

However, while district courts are afforded significant leeway, it bears mention that the courts' discretion is not without limits or exceptions. First,

district courts deserve deference with respect to their factual findings, but not as to purely legal questions. *See, e.g., Diamond Star Bldg. Corp.*, 30 F.3d at 506 (factual findings reversed only if "clearly erroneous" while legal precepts receive plenary review); *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151, 154 (3d Cir. 1986) (same).

Second, pursuant to 17 U.S.C. § 412, district courts do not have discretion to award attorney's fees where a prevailing plaintiff did not register its work with the Copyright Office prior to the commencement of infringement or otherwise in a timely manner as specified in the Copyright Act. *See, e.g., Ramirez v. Nichols*, 496 F App'x 383, 386 (5th Cir. 2012) (a court's discretion under § 505, "is controlled by statutory limitations, including" § 412); *Johnson v. Jones*, 149 F.3d 494, 504-05 (6th Cir. 1998) ("Ordinarily, we review for an abuse of discretion a court's decision whether to award attorney's fees. Section 412(1), however, *leaves no room for discretion*, mandating that no attorney's fees or statutory damages be awarded so long as the infringement commenced before registration of the copyright.") (internal citations omitted, emphasis added). Thus, despite the fact that this Court charged the lower courts with treating plaintiffs and defendants in an evenhanded manner, *Fogerty*, 510 U.S. at 534 n.19, the statute does not.[3] Defendants

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[3] That requirement has caused difficulties for the Alliance's smaller members, as the process has failed to adjust to the

in infringement actions, of course, do not face a similar hurdle or a similar restriction on a district court's discretion.

The district court has earned the deference to which it is entitled. The court was intimately involved with all aspects of the case and bore witness not only to the parties' claims, defenses, and arguments concerning the scope of the importation right, but also to the parties' conduct of the litigation, and issued a thorough, reasoned opinion based on the *Fogerty* factors that does not deserve to be disturbed.

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demands of digital workflows. *See, e.g., Copyright Protection for Certain Visual Works: Hearing Before the Copyright Office, Library of Congress*, Docket No. 2015-1, at 7 (2015) (comments of the Copyright Alliance), http://copyrightalliance.org/sites/default/files/copyright_alliance_final_comments_re_visual_works.pdf.

CONCLUSION

Amicus respectfully requests that the Court affirm the ruling below and deny Kirtsaeng's motion for attorney's fees and costs pursuant to a holistic review of the *Fogerty* factors.

Respectfully submitted.

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IN THE
Supreme Court of the United States

SUPAP KIRSTAENG, DBA BLUECHRISTINE99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Second Circuit

BRIEF OF *AMICUS CURIAE* INTELLECTUAL PROPERTY OWNERS ASSOCIATION IN SUPPORT OF NEITHER PARTY

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INTEREST OF *AMICUS CURIAE*

Amicus curiae Intellectual Property Owners Association is a trade association representing companies and individuals in all industries and fields of technology that own or are interested in intellectual property rights.[1] IPO's membership includes more than 200 companies and more than 12,000 individuals who are involved in the association either through their companies or as an inventor, author, executive, law firm, or attorney member. Founded in 1972, IPO represents the interests of all owners of intellectual property IPO regularly represents the interests of its members before Congress and the United States Patent and Trademark Office and has filed amicus curiae briefs in this court and other courts on significant issues of intellectual property law. The members of IPO's board of directors, which approved the filing of this brief, are listed in the appendix.[2]

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[1] No counsel for a party authored this brief in whole or in part, and no such counsel of party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the amicus curiae or its counsel made a monetary contribution to its preparation or submission. Counsel for both parties consented to the filing of this brief via blanket consent letters filed with the Court on February 11, 2016.

[2] IPO procedures require approval of positions in briefs by a two-thirds majority of directors present and voting.

INTRODUCTION

This case presents an important opportunity for this Court—consistent with its holding in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994)—to resolve the split in the circuits on how equitable factors are considered in awarding attorneys' fees in copyright cases. Attorneys' fees should be based on a review of all equitable factors and not a product of a formulaic approach that disproportionately weighs certain factors more than others. Each case should be reviewed under the discretionary standards provided under the statute. *See* 17 U.S.C. § 505. A uniform standard would place all litigants in copyright cases on the same footing in requesting attorneys' fees.

Under copyright law, a court may exercise equitable discretion to award attorneys' fees based on the objective unreasonableness of the claims and other factors, in a way that is "faithful to the purposes of the Copyright Act" and evenhanded to plaintiffs and defendants. *Fogerty*, 510 U.S. at 534 n.19. This Court has clarified that the Copyright Act's purpose is "more complex, more measured" than "maximizing meritorious infringement suits." *See id.* at 526. It has also rejected using a "precise rule or formula" for making fee determinations. *See id.* at 534.

This appeal is from the Second Circuit, which always gives the objective unreasonableness factor substantial weight. It reasons that the purpose of the Copyright Act would typically not be served by assessing a copyright holder a fee for pursuing an objectively reasonable claim. Although the objective unreasonableness factor should be considered, the

automatic heavy weighting of this factor does not allow other equitable factors to be properly considered. Other circuits follow other formulaic approaches to awarding attorneys' fees to prevailing parties without properly considering equitable factors on a case-by-case basis.

IPO seeks a deep look at this issue. The Court should take this opportunity to review the current state of attorneys' fee law in the various circuits and provide a flexible and case-specific approach to fee awards that rejects formulas and precise rules and supports a review of all equitable factors in copyright cases.

SUMMARY OF ARGUMENT

A. A Review of the Circuits Reveals Divergent Applications of the Equitable Factors with the Ninth Circuit Approach Following *Fogerty* and Rejecting a Formulaic Approach That Does Not Take Into Account All Equitable Factors

The Ninth Circuit has held that "[f]aithfulness to the purposes of the Copyright Act is...the pivotal criterion" in the attorneys' fee analysis. *Berkla v. Corel Corp.*, 302 F.3d 909, 923 (9th Cir. 2002). It has also explained that it evaluates whether fee awards are evenhanded. *See Fantasy, Inc. v. Fogerty*, 94 F.3d 553, 559 (9th Cir. 1996). In other words, its approach tracks exactly with this Court's *Fogerty* opinion. Moreover, the Ninth Circuit's approach is flexible and allows a court to consider all factors, so long as they further the purposes of the Copyright Act and are

evenhandedly applied." *See Fantasy*, 94 F.3d at 558. Because the Ninth Circuit's approach is flexible, a party can make an argument to convince a court that in the particular case before it the objective unreasonableness factor should be given substantial weight: "While no longer a prerequisite to a fee award, the objective unreasonableness of a losing party's claim can be a relevant indicator of whether the Act's primary objective is being served by the litigation." *See SOFA Entm't, Inc. v. Dodge Prods.*, 709 F.3d 1273, 1280 (9th Cir. 2013) (internal quotations omitted). Thus, this approach allows courts to flexibly exercise their equitable discretion by avoiding a rigid rule that the objective unreasonableness factor must be or must never be given substantial weight.

B. A Formula That Requires Giving Substantial Weight to the Objective Unreasonableness Factor When Assessing Attorneys' Fees Should Be Rejected

The Second Circuit requires its district courts to use a precise rule to decide whether to grant attorneys' fees in copyright cases. The Second Circuit always gives the objective unreasonableness factor substantial weight. This approach prevents trial courts from giving less weight to the objective unreasonableness factor, even if the facts before the trial court call for less weight to be given to that factor. It creates a rigid framework that a trial court must use when evaluating relevant factors. Other factors, such as bad faith, litigation conduct, and the motivation behind the action, are diminished even if more important to the particular case. An approach like this one, which prescribes a "precise rule" for

what weight to give a particular factor—regardless of the particular circumstances of the case—should be rejected by this Court.

C. Presumptions in Favor of Fees Should Be Rejected

The Seventh Circuit and Fifth Circuit have created a presumption in favor of granting fees to the prevailing party. This approach, by favoring certain outcomes at the beginning, is not flexible. And it does not give trial courts the opportunity to appropriately weigh other relevant facts and circumstances against the fact that the prevailing party won. Absent the formulaic presumption in favor of fees, a court might view other facts, circumstances, or factors as more significant and decisive in favor of not granting attorneys' fees. This Court has previously rejected restraining a trial court's equitable discretion in this way, and it should do so again here. *See Fogerty*, 510 U.S. at 534.

D. The Objective Unreasonableness Factor Can Be Given Substantial Weight by the Trial Court While Assessing Other Equitable Factors

The trial court should have the flexibility when exercising its equitable jurisdiction to decide whether to give substantial weight to this factor. It has the most intimate knowledge of the parties, the arguments, and the proceedings to determine whether the objective unreasonableness factor should be given substantial weight. This kind of flexibility is in accord with this Court's reasoning in *Fogerty* and in other

intellectual property cases involving equitable discretion. *See eBay v. MercExchange*, 547 U.S. 388 (2006); *see also Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014).

ARGUMENT

This Court held that a court exercising its equitable discretion to grant fees under 17 U.S.C. § 505 should consider various non-exclusive factors: "[1] frivolousness, [2] motivation, [3] objective unreasonableness (both in the factual and in the legal components of the case) and [4] the need in particular circumstances to advance considerations of compensation and deterrence" when deciding whether to grant fees. *See Fogerty*, 510 U.S. at 534 n.19. The Court noted that the paramount consideration of these and any other factors is whether "such factors are faithful to the purposes of the Copyright Act and are applied to prevailing plaintiffs and defendants in an evenhanded manner." *See id.* at 534. It also clarified the meaning of the "purposes of the Copyright Act": "More importantly, the policies served by the Copyright Act are more complex, more measured, than simply maximizing the number of meritorious suits for copyright infringement." *See id.* at 526.

In sum, the Court held that a court exercising its discretion (1) should not apply a formula; (2) should consider various factors that "are faithful to the purposes of the Copyright Act"; (3) should not presume that the "purposes served by the Copyright Act" are promoted by "simply maximizing the number

of meritorious suits for copyright infringement"; and (4) should apply an approach that treats "prevailing plaintiffs and defendants in an evenhanded manner."

I. The Ninth Circuit's Approach to Awarding Attorneys' Fees Conforms Best to *Fogerty*, Because It (1) Focuses on Whether the Fee Award "Further[s] the Purposes of the Copyright Act" and Is "Evenhandedly Applied," and (2) Is Flexible and Avoids Formulas

The Ninth Circuit fully adopted this Court's guidance in evaluating when to grant attorneys' fees in copyright cases: "[f]aithfulness to the purposes of the Copyright Act is, therefore, the pivotal criterion." *Berkla*, 302 F.3d at 923. It also has affirmed that district courts must apply their discretion in a way that is evenhanded. *See Fantasy*, 94 F.3d at 559. The Ninth Circuit's approach tracks exactly with this Court's *Fogerty* opinion.

The Ninth Circuit approach follows the type of flexible analysis required by *Fogerty* by allowing a court to consider all the *Fogerty* factors, or other factors, so long as—in the context of the case—those factors "further the purposes of the Copyright Act and are evenhandedly applied." *See Fantasy*, 94 F.3d at 558. The objective unreasonableness factor is one of these factors. And in the right context, it should be given substantial weight. As the Court found in *SOFA*, "While no longer a prerequisite to a fee award, the objective unreasonableness of a losing party's claim can be a relevant indicator of whether the Act's primary objective is being served by the litigation." *See* 709 F.3d at 1280 (internal quotations omitted); *see*

id. (holding that in the case before it the objective unreasonableness factor was significant enough to warrant a fee award).

The appropriate weight to give the objective unreasonableness factor is an argument that should be made in each case. Automatically giving this factor substantial weight prevents a court from weighing it based on the circumstances of the case before it and without particular consideration of whether that weighting is "[f]aithful[] to the purposes of the Copyright Act." *Berkla*, 302 F.3d at 923.

Automatically giving a particular weight to any factor is a formulaic approach that does not track with this Court's ruling in *Fogerty*. Thus, this Court should reaffirm its *Fogerty* ruling and point to the Ninth Circuit's flexible approach as a source of guidance to the other circuit courts.[3]

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[3] Kirtsaeng lists several circuits as being "rudderless," in their fee-award analysis, but that description exaggerates the difference between their approaches and *Fogerty*. *See Bridgeport Music, Inc. v. WB Music Corp.*, 520 F.3d 588, 592 (6th Cir. 2008) ("This discretion must be exercised in an evenhanded manner with respect to prevailing plaintiffs and prevailing defendants, and in a manner consistent with the primary purposes of the Copyright Act."); *see also Diamond Star Bldg. Corp. v. Freed*, 30 F.3d 503, 506 (4th Cir. 1994) (noting that *Fogerty* requires analyzing various factors in a manner that is "faithful to the purposes of the Copyright Act"). The Third Circuit—while it has not expressly discussed the "purposes of the Copyright Act"—recognizes that *Fogerty* governs the non-exclusive factor analysis. *See Lowe v. Loud Records*, 126 Fed. Appx. 545, 547 (3d Cir. 2005) (unpublished) (noting the applicability of *Fogerty*'s footnote 19 to the fee-award analysis, which includes the "purposes of the Copyright Act" language). But these circuits have not developed the same depth of jurisprudence for determining when factors are "faithful to the purposes of the Copyright Act" that has been produced by the Ninth Circuit. It also does not appear that the Eleventh Circuit

II. The Second Circuit's Approach of Always Giving the Objective Unreasonableness Factor Substantial Weight Prescribes a Precise Rule, Which Is Contrary to This Court's Ruling in *Fogerty*

The Second Circuit—in applying *Fogerty*—has determined that the objective unreasonableness factor must always be given "substantial weight," because it determined that "the imposition of a fee award against a copyright holder with an objectively reasonable litigation position will generally not promote the purposes of the Copyright Act." *Matthew Bender & Co. v. West Publ'g. Co.*, 240 F.3d 116, 122 (2d Cir. 2001). It came to this conclusion based on its understanding that "[t]he principle purpose of the [Copyright Act] is to encourage the origination of creative works by attaching enforceable property rights to them." *Id.* (internal quotations and citations omitted).

This approach conflicts with some of the requirements in *Fogerty*: (1) it requires a formula—always giving the objective unreasonableness factor "substantial weight"; (2) it considers the objective unreasonableness factor solely within the context of

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emphasizes the "purposes of the Copyright Act" the same way the Ninth Circuit emphasizes it. *See, e.g.*, *Jacob Maxwell, Inc. v. Veeck*, 110 F.3d 749, 754 (11th Cir. 1997) (applying *Fogerty* factors without expressly discussing the "purposes of the Copyright Act").

whether it will maximize or encourage the filing of meritorious copyright infringement suits, but this does not always promote the purposes of the Copyright Act; and (3) it requires diminishing the relevance or weight of other factors relative to the objective unreasonableness factor, regardless of particular circumstances of the case.

Here, the Second Circuit even noted that the trial court might have improperly weighted and analyzed whether compensation was warranted in this case based on Mr. Kirtsaeng's pro bono representation. *John Wiley & Sons, Inc. v. Kirtsaeng*, 605 Fed. Appx. 48, 50 n.2 (2d Cir. 2015) (unpublished) *cert. granted*, 136 S. Ct. 890 (2016). But it did not explore the issue because the trial court had to give substantial weight to the objective unreasonableness factor, a rule that controlled the Second Circuit's review of the trial court's exercise of discretion: "[T]hese factors did not outweigh the 'substantial weight' afforded to John Wiley & Sons' objective reasonableness." *See id.* at 50.

Now, it may be that in this case—especially because of the uncertainty of the law—that the objective unreasonableness factor should be given substantial weight. But neither the trial court nor the Second Circuit had to decide that issue because *Matthew Bender* requires courts in the Second Circuit to give that factor substantial weight, regardless of the circumstances in the case. Even though it is possible for other factors to outweigh this factor, the analysis will always be skewed by the substantial weight a court must give the objective unreasonableness factor following the *Matthew Bender* rule. This is not a flexible, nonformulaic

approach as required by *Fogerty*, which states, "There is no precise rule or formula for making these determinations," but instead equitable discretion should be exercised "in light of the considerations we have identified." *Fogerty*, 510 U.S. at 534. Hence, this Court should reject the Second Circuit's automatic weighting approach.

III. Other Formulaic Approaches That Favor Granting Fees—Like the Seventh Circuit's and Fifth Circuit's Approaches—Should Also Be Rejected Because This Court in *Forgerty* Required a Flexible and Non-Formulaic Approach

Despite the Supreme Court rejecting rules for awarding fees, the Seventh Circuit has held that, in accordance with *Fogerty*, "the prevailing party in copyright litigation is presumptively entitled to reimbursement of its attorneys' fees." *Riviera Distribs., Inc. v. Jones*, 517 F.3d 926, 928 (7th Cir. 2008). This approach developed from cases creating a presumption in favor of prevailing plaintiffs when damages are small and for prevailing defendants, because "without the prospect of such an award, the party might be forced into a nuisance settlement or deterred altogether from exercising his rights." *Assessment Techs. of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 437 (7th Cir. 2004). These earlier cases—although using a formulaic approach—were limited to particular factual scenarios. It now appears that the rule that developed in those earlier cases expanded into a presumption that fees should be awarded to a prevailing party regardless of the factual circumstances. *Jones*, 517 F.3d at 928.

Similarly, the Fifth Circuit has a formulaic "*McGaughey* rule" that treats attorneys' fees as discretionary, but requires that attorneys' fees are "the rule rather than the exception and should be awarded routinely." *See Hogan Sys., Inc. v. Cybresource Int'l, Inc.*, 158 F.3d 319, 325 (5th Cir. 1998). The Fifth Circuit in *Hogan* rejected the losing party's argument that the *Fogerty* decision overruled this approach to awarding fees, because it held that this Court rejected only the "British Rule" that "mandates the award of attorney's fees." *See id.* at 325. Based on this reading of *Fogerty*, the Fifth Circuit upheld the trial court's award of attorneys' fees to the prevailing party.

But this Court was clear that "'[t]here is no precise rule or formula for making these determinations,' but instead equitable discretion should be exercised 'in light of the considerations we have identified.'" *Fogerty*, 510 U.S. at 534 & n.19 (listing various factors that may be considered in deciding whether to award attorneys' fees).

In contrast, the Seventh Circuit uses a presumption in favor of prevailing parties, which requires a district court to use a rule that diminishes the importance of factors that a court might consider in granting fees. *Jones*, 517 F.3d at 928. And the Fifth Circuit uses a rule approach—the "*McGaughey* rule"—which is not as mandatory as the British Rule, but still requires that fees are "the rule rather than the exception." *See Hogan*, 158 F.3d at 325. This is exactly the kind of formulaic and rigid decision making this Court rejected in *Fogerty*. And it does not explicitly take into account whether granting fees is

"faithful to the purposes of the Copyright Act." *Fogerty*, 510 U.S. at 534 n.19.

IV. This Court Should Clarify That the Trial Court in This Case Might Have Been Justified in Giving the Objective Unreasonableness Standard Substantial Weight; But on Remand, This Issue Should Not Be Decided Using a Formulaic Approach That Automatically Gives This Factor Substantial Weight

Making this clarification is consistent with this Court's guidance that courts should not apply rigid formulas when deciding whether to grant equitable relief in other intellectual property cases; for example, the reasoning found in *eBay* and *Octane Fitness*.

In *eBay*, this Court explained that when a court considers factors for granting equitable relief (injunction) it cannot use categorical rules. *See* 547 U.S. at 393–94 (rejecting categorical rules for balancing factors that have to be considered in granting equitable relief). And in *Octane Fitness*, this Court held that "district courts may determine whether a case is 'exceptional' in the case-by-case exercise of their discretion, considering the totality of the circumstances." *Octane Fitness*, 134 S. Ct. at 1756. This approach was then analogized to the flexible approach this Court adopted in *Fogerty*. *See id.* at 1756.

Because the exercise of equity is traditionally flexible—a point this Court has emphasized many times—this Court should reaffirm the flexible

approach it adopted in *Fogerty*, an approach that has been followed in the Ninth Circuit. And this Court should reject formulaic approaches that always require certain factors to be considered or given certain weight or that have presumptions in favor of fees.

But because awarding fees requires a flexible approach, it might be that in any particular case the objective unreasonableness factor at issue here should be given substantial weight. Indeed, in this case—because of the lack of clarity in the law—it might very well be appropriate for the district court to give this factor substantial weight. Many future parties and the law benefited from John Wiley filing the underlying lawsuit that led to this Court's first *Kirtsaeng* opinion.

Thus, the district court's ruling on fees might not be wrong. It should be clear that—under a flexible approach—the district court may decide that certain factors should be given substantial weight based on the circumstances of the case and whether that weighting is "faithful to the purposes of the Copyright Act and are applied to prevailing plaintiffs and defendants in an evenhanded manner." *See Fogerty*, 510 U.S. at 534. In this case, it could be that the objective unreasonableness factor should be given substantial weight. That should be made clear to the lower courts.

CONCLUSION

This Court has rejected any formulaic approach to weighing factors to decide whether to grant or deny attorneys' fees. Here, the Second Circuit approach of always giving substantial weight to the objective unreasonableness factor is a formulaic method of weighing an attorneys' fee factor. This automatic weighting does not give effect to the Supreme Court's admonition that a factor should only be considered in light of how it furthers the purposes of the Copyright Act on a case-by-case basis.

In addition, the Ninth Circuit already uses an approach that affects many copyright holders that meets *Fogerty*'s requirements for granting attorneys' fees in copyright cases. This approach is superior to the formulaic approach required by the Second Circuit and the presumptions in favor of fees in the Fifth and Seventh Circuits.

Because the Ninth Circuit approach is in line with *Fogerty*, there is already a body of case law that other circuits can rely on in analyzing these types of cases, once this Court reaffirms *Fogerty*.

Thus, this Court should (1) reaffirm its *Fogerty* holding embodied by the Ninth Circuit's attorneys' fees jurisprudence; (2) reject the formulaic approach of the Second Circuit; (3) reject other formulaic approaches, like the Seventh Circuit's and Fifth Circuit's presumption in favor of fees; and (4) clarify that this Court's holding does not require the lower courts to grant Kirtsaeng's attorneys' fees claim—it might be appropriate on remand to give substantial

weight to the objective unreasonableness factor based on the particular circumstances of this case.

Respectfully submitted,

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IN THE

Supreme Court of the United States

SUPAP KIRTSAENG, DBA BLUECHRISTINE99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

BRIEF OF PUBLIC KNOWLEDGE AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

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INTEREST OF *AMICUS CURIAE*

Public Knowledge[1] is a non-profit organization that is dedicated to preserving Internet openness and access to knowledge, promoting creativity through balanced intellectual property rights, and upholding and protecting the rights of consumers to use innovative technology lawfully. Public Knowledge advocates on behalf of the public interest for a balanced copyright system, particularly with respect to new and emerging technologies.

Public Knowledge has previously served as *amicus* in key copyright cases. *E.g.*, *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013); *Golan v. Holder*, 132 S. Ct. 873 (2012); *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003); *Eldred v. Ashcroft*, 537 U.S. 186 (2003).

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[1]Pursuant to Supreme Court Rule 37.3(a), blanket consents for the filing of *amicus curiae* briefs have been filed by both parties in this case. Pursuant to Rule 37.6, no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of the brief. No person or entity, other than *amicus*, its members, or its counsel, made a monetary contribution to the preparation or submission of this brief.

SUMMARY OF ARGUMENT

Much like the transactions between Petitioner Kirtsaeng and his textbook buyers, the copyright system is a bargain, a transaction between two arms-length parties: authors and the public. To encourage authors to create new works, the public gives to those authors a copyright monopoly on their creations. But crucially, the public demands its share of the bargain: numerous limitations on the scope of that monopoly right that guarantee to the public certain rights to use, access, and enjoy those created works. That bargain, that heavily limited monopoly conferred ultimately for the public's benefit, is the central and foundational principle of a copyright system designed "to promote the progress of science and useful arts."

But the Copyright Act does not define those numerous limitations on the monopoly with textbook precision. The central limitations of copyright—fair use, first sale, the idea-expression dichotomy—are statutorily defined with broad terms. The contours of copyright and its limits must be established case by case, by individual litigants willing to determine the scope of the whole public's rights in the course of seeking private vindication.

That is why the award of attorney fees is of such importance to copyright: it affects not just individual parties, but rather the whole public at large. There is a need to demarcate the contours of where copyright holders' rights end and where the public's privileges to use and access works begin, a need that is "peculiarly important" in this Court's words. There is a need to incentivize private parties to litigate copyright claims in courts, to establish that demarcation. And awards of attorney fees can provide that incentive. Thus, attorney fee awards can and should be used to encourage private parties to take up

the public task of establishing the boundaries of the copyright monopoly.

Indeed, key copyright decisions reveal how much substantive copyright law is made through the actions of small or individual litigants, ones who would most benefit from attorney fee awards. The record of cases is replete with documentarians, students, startup companies, nonprofit legal advocates, and even mothers who established and clarified the boundaries of copyright through their persistence in legal action. Attorney fee awards are precisely the tool to encourage these small players to bring big, definitional copyright cases.

And yet the courts who rendered the decisions on review here inexplicably take exactly the opposite tack, treating these public interest–favoring factors as weighing *against* attorney fee awards. The decisions of the district court and Court of Appeals do not merely conflict with the law of this Court, then: those decisions conflict with good public policy and the fundamental rationales of the Copyright Act itself. To allow those decisions to stand would undermine the copyright bargain and undermine the public's rights. This Court should reverse those decisions.

ARGUMENT

I. ATTORNEY FEE SHIFTING SHOULD BE APPLIED TO ADVANCE THE PUBLIC INTEREST IN CLARITY IN THE SCOPE OF COPYRIGHT

In determining whether to award attorney fees under 17 U.S.C. § 505, courts should look at least to whether the prevailing party's case has advanced the public interest in clarifying the boundaries of copyright law. It has long been recognized, even in the Constitution itself, that copyright must be a balanced bargain that advances the public's interest in creation of and access to new works. This requirement of balance means that the copyright monopoly is limited in many important ways.

Because a well-argued defense can clarify and define those limits, thus advancing the bargain of copyright and the public interest, cases such as *Fogerty v. Fantasy, Inc.* have approved the use of attorney fee awards to encourage such well-argued defenses. This Court should again recognize the value of the public interest and accordingly hold that § 505, properly read, is closely tied to the advancement of the public interest in any given case.

A. THE PUBLIC DEPENDS ON INDIVIDUAL LITIGANTS TO CLARIFY THE SCOPE OF THE COPYRIGHT MONOPOLY

There is a strong public interest in defining the scope of copyright protection, that is, the boundary between where copyright holders' interests end and where the public's privilege to access and use works begins. But that demarcation of the public's rights can only occur through the willingness of private litigants to bring cases and defenses that define those rights. Accordingly, there

is a need to encourage such private litigants to advance the public good of clarifying the contours of copyright.

The purpose of the copyright system is not merely to give profits to authors, but rather ultimately to benefit the public with creation and access to new works. The Constitution provides Congress with the power to authorize copyrights, but only toward an important end: "To promote the progress of science and useful arts." U.S. Const. art. I, § 8, cl. 8. This clause "was intended to limit Congress's intellectual property power." Dotan Oliar, *Making Sense of the Intellectual Property Clause*, 84 Geo. L.J. 1771, 1816 (2006).

Accordingly, this Court has regularly explained that copyright must ultimately benefit the public. "The sole interest of the United States and the primary object in conferring the monopoly lie in the general benefits derived by the public from the labors of authors." *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 158 (1948) (quoting *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932)). Similarly this Court has said that "copyright is intended to increase and not to impede the harvest of knowledge." *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 545 (1985); *see also* Jessica Litman, *Revising Copyright Law for the Information Age*, 75 Or. L. Rev. 19, 31 (1996) ("Copyright is said to be a bargain between the public and copyright holders.").

Because copyright must ultimately benefit the public, the scope of that right is necessarily limited. *See Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984) (describing copyright as a "limited grant" and "limited period of exclusive control"). The duration of the right is a part of that limitation, but it is by no means the sole limitation: to ensure that the public maintains

access to created works, the copyright monopoly even during its subsistence is sharply limited by numerous doctrines. *See, e.g.*, 17 U.S.C. § 109(a) (first sale doctrine); 17 U.S.C. § 121(a) (copyright exceptions for accommodating blind and disabled persons); 17 U.S.C. § 108 (exceptions for libraries and archives); 17 U.S.C. § 117 (exceptions for copying computer programs in operation); 17 U.S.C. § 115 (compulsory licensing of certain phonorecords).

Indeed, some such limitations on copyright, specifically fair use and the idea-expression dichotomy, are so fundamental to the public interest that this Court has suggested that those limitations are constitutionally required. *See Golan*, 132 S. Ct. at 889–91; *Eldred*, 537 U.S. at 219–20. "Following *Golan* and *Eldred*," one commentator contends, "neither Congress nor the courts may eviscerate copyright law's idea/expression dichotomy or fair use privilege without running afoul of the First Amendment." Neil Weinstock Netanel, *First Amendment Constraints on Copyright After* Golan v. Holder, 60 UCLA L. Rev. 1082, 1086 (2013).

But while copyright is extensively limited in service of the public interest, the metes and bounds of those limitations are not always precisely defined. Doctrines such as fair use, the idea-expression dichotomy, and (relevant to this case) first sale are defined with broad-stroked statutory terms. Courts are thus left to define the contours of these limitations—the contours of where copyright ends and the public's privileges begin—through common law development by individual cases.

As a consequence, individual litigants are essential to mapping out the scope of the people's ability to use and enjoy creative works. Private actions can in this way work toward the public good.

Patent law, which shares a "historic kinship" with copyright, *Sony*, 464 U.S. at 440, has long recognized a parallel need to encourage private litigants to clarify the public's rights with respect to patents. Like limits on copyright law, invalidation of an improperly granted patent is a public good, as all people benefit from the elimination of a wrongful patent monopoly. *See, e.g., Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 100 (1993) (noting "the importance to the public at large of resolving questions of patent validity") (citing *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313 (1971)).

But action to invalidate a misgranted patent must generally be initiated by a private litigant. "Under our current system, litigation is the primary gatekeeper of patent quality." Megan M. La Belle, *Patent Litigation, Personal Jurisdiction, and the Public Good*, 18 Geo. Mason L. Rev. 43, 44 (2010). So given that the public good must be advanced by private litigants, this Court has sought to use the rules of patent law to promote this public good of patent invalidation.

Thus, *Lear, Inc. v. Adkins* opened the door to invalidity actions by patent licensees, in view of "the strong federal policy favoring the full and free use of ideas in the public domain." 395 U.S. 653, 674 (1969). *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation* gave judgments of invalidity issue-preclusive effect across all accused infringers. *See* 402 U.S. 313, 349–50 (1971). *MedImmune, Inc. v. Genentech, Inc.* relieved patent licensees of the need to abrogate their licenses before suing for declaratory judgments of invalidity. 549 U.S. 118, 777 (2007).

These cases all reveal a general principle in patent law that private actions ought to be encouraged when those

private actions serve a larger purpose of defining the scope of the public's rights. That same principle should apply in copyright, where defining the scope of the public's rights is equally important if not more so. This Court should seek ways to encourage private copyright litigants to take on this important task.

B. Attorney Fee Awards Are an Accepted and Important Incentive That Should Be Used to Bring About That Clarification

Attorney fee awards under § 505 are a recognized and important incentive to draw private actors to that task of clarifying the rights of the public. *Fogerty v. Fantasy, Inc.* and cases following therefrom have recognized the value of attorney fee awards in advancing this public interest. This Court should continue to recognize that value by requiring courts to consider under § 505 whether a prevailing party has advanced the task of clarifying the scope of the public's right to use copyrighted works.

Fogerty v. Fantasy, Inc., 510 U.S. 517 (1994), established this Court's view that attorney fee awards under § 505 ought to be used to encourage copyright defenses that clarify the scope of the public's rights. In that case, this Court considered the so-called "dual standard" by which prevailing plaintiffs would ordinarily receive attorney fees but prevailing defendants would only receive fees for frivolous or bad-faith suits. *See id.* at 521. Such a discriminatory standard was justified, said the copyright holder in that case, because a fee award to a copyright holder "encourages litigation of meritorious claims of copyright infringement." *Id.* at 525.

This Court rejected that argument and the dual standard as an improper "one-sided view of the purposes of

the Copyright Act." *Id.* at 526. Because "copyright law ultimately serves the purpose of enriching the general public through access to creative works," this Court held that "it is *peculiarly important* that the boundaries of copyright law be demarcated as clearly as possible." *Id.* at 527 (emphasis added).

And specifically, *Fogerty* went on to hold that attorney fee awards were the right way to encourage that "peculiarly important" task. "To that end, defendants who seek to advance a variety of meritorious copyright defenses should be encouraged to litigate them" just as much as copyright plaintiffs. *Id.* This Court observed how defeating an improper copyright claim "could, as a result, lead to further creative pieces" being authored, an effect that "may further the policies of the Copyright Act every bit as much as a successful prosecution of an infringement claim by the holder of a copyright." *Id.* *Fogerty* thus specifically tied the statutory attorney fee provision of § 505 to the overarching desire to demarcate the public's rights with respect to copyrighted works.

Cases following *Fogerty* have also recognized the appropriateness of fee awards where a defense successfully defined the scope of the public's rights. *Assessment Technologies of WI, LLC v. WIREdata, Inc.* involved an unsuccessful copyright infringement claim over a factual database. *See* 361 F.3d 434, 435 (7th Cir. 2004) (Posner, J.). In determining whether to award fees under § 505, the Seventh Circuit specifically noted how the defense of the suit advanced the public interest. As the court described the case, the defendant was one who sought "to obtain nonexclusive access to the intellectual public domain. The public interest in that access is as great as the public interest in the enforcement of copyright." *Id.* at

436. In view of the defendant's effort in preventing the plaintiff's attempt "to annex a portion of the intellectual public domain," the Seventh Circuit found that "an award of attorneys' fees to the defendant is an appropriate sanction." *Id.* at 437.

Other courts have agreed. In *Video-Cinema Films, Inc. v. Cable News Network, Inc.*, the court awarded fees partly "to deter future copyright owners from using the threat of litigation to chill other fair uses. To hold otherwise would diminish any incentive for defendants to incur the often hefty costs of litigation to defend the fair use doctrine." No. 98-cv-7128, 2003 WL 1701904, at *5 (S.D.N.Y. Mar. 31, 2003).[2] *Stern v. Does* awarded fees to discourage lawsuits that "have a chilling effect on creativity insofar as they discourage the fair use of existing works in the creation of new ones." 978 F Supp. 2d 1031, 1052 (C.D. Cal. 2011).

The desire to encourage clarification of copyright does not mean that attorney fees should be awarded as a matter of course when a difficult issue of copyright law is resolved. Rather, a fee award is appropriate where a party successfully pursues a novel and unexpected theory of copyright doctrine that clarifies the scope of the public's rights. In the present case, for example, Kirtsaeng successfully developed and argued a novel interpretation of the first sale doctrine, making an attorney fee award more appropriate. But in a counterfactual world where Wiley won on the first sale issue, Wiley would not merit attorney fees by reason of successfully narrowing

[2]Nevertheless, the court also relied on the Second Circuit's mistaken view that "objective unreasonableness is a significant factor and should be given substantial weight." *See id.* at *1 (citing *Matthew Bender & Co. v. W. Publ'g Co.*, 240 F.3d 116, 122 (2d Cir. 2001)).

the first sale doctrine. Such a result merely would have maintained the status quo based on the leading appellate precedent at the time. *See Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 990 (9th Cir. 2008).[3] While a novel theory of infringement might serve that "peculiarly important" task of establishing the bounds of copyright, a mine-run response to a novel defense does not.

Accordingly, this Court and others have recognized that attorney fee awards are an effective, appropriate, and necessary tool for encouraging private litigants to raise defenses and arguments that define the scope of the public's rights and thereby advance the public interest. The same result should obtain in the present case. This Court should ensure that the district and appellate courts, in deciding whether to award fees under § 505, strongly consider whether the prevailing party advanced the important task of clarifying the scope of copyright.

II. THE FREQUENCY WITH WHICH SMALL DEFENDANTS RAISE VALUABLE DEFENSES SPEAKS TO THE NEED FOR INCENTIVES LIKE ATTORNEY FEE AWARDS

Copyright jurisprudence must continually recalibrate generations-old statutes and policies to innovative technologies and novel artistic and socially-beneficial uses. Many of the most complex and advanced defenses, which

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[3]Further of note, a repeat copyright player such as Wiley does not require the same sorts of incentives to litigate the boundaries of copyright law as an individual such as Kirtsaeng requires. And in any event, the interest in advancing meritorious causes must be "balance[d] against the potentially chilling effect of imposing a large fee award." *Lotus Dev. Corp. v. Borland Int'l Inc.*, 140 F.3d 70, 75 (1st Cir. 1998).

worked to increase ultimately the scope of the public's rights, have been brought by individual artists, mothers, college students (such as petitioner Kirtsaeng), and others. And too often start-ups and small businesses bet their companies' survival on whether courts share their perspectives on what constitutes fair or noninfringing use. For these litigants, victory entails dedication of significant resources and expense, including the costs of discovery, retention of experts, and attorney fees, that they simply do not have and can hardly afford.

The number of valuable copyright defenses brought by small defendants speaks to the importance of encouraging such defenses through tools such as attorney fee awards. The touchstone for the award is not primarily whether fees encourage litigation, but rather whether the litigation has promoted the goals of copyright. As the Ninth Circuit observed, under § 505 "the question is whether a successful *defense* of the action furthered the purposes of the Act, not whether a *fee award* would do so." *Mattel Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 816 (9th Cir. 2003) (citing *Fogerty*, 510 U.S. at 527).

In the cases described below, litigants in tough cases have meaningfully furthered the purposes of copyright law, such as by expanding fair use, adding to the public domain, defining copyrightability, or preserving public interests. They illustrate how individuals, smaller companies, and upstart competitors change the course of copyright for the better, for which an award of full costs would be consistent with the purposes of § 505.

1. *Documentary Filmmakers.* To educate, entertain, inform, and challenge preconceived notions of historical or cultural facts, documentarians rely on pre-existing media to place each subject within its underlying con-

text. Documentary works thus depend largely upon a clear delineation of copyright: is material in the public domain; does a particular use qualify as "fair use" under 17 U.S.C. § 107, or must a work must be licensed; or whether some work-around must substitute for copyrighted material that is simply too expensive.

Filmmaker Jennifer Nelson set out to make a documentary about the song "Happy Birthday to You." When faced with an unjustified demand for license fees, she turned her frustration into a class action lawsuit. *See, e.g.*, Christine Mai-Duc, *Filmmaker Picks a Fight with a Corporate Giant and Sets "Happy Birthday" Free*, L.A. Times (Sept. 23, 2015), URL *supra* p. vi; *Marya v. Warner/Chappell Music, Inc.*, No. 2:13-cv-4460, 2015 WL 5568497, at *19 (C.D. Cal. Sept. 22, 2015) (granting summary judgment that defendants did not own copyright to "Happy Birthday to You"). Because of this suit, the rightful owners of the copyright obtained a favorable monetary settlement for their foundation, and released the song to the public domain. Eriq Gardner, *Warner Music Pays $14 Million to End "Happy Birthday" Copyright Lawsuit*, Hollywood Rep. (Feb. 9, 2016), URL *supra* p. vi.

The rare artist has the temerity to defy license fee demands that for decades had been unchallenged, to file suit to define the scope of fair use, and ultimately to place into the public domain what previously, unjustly, had been a copyright cash cow. Far fewer have the wherewithal (or, as here, a certifiable class of plaintiffs).

2. *User-Generated Content.* In the recent "Dancing Baby" case, *Lenz v. Universal Music Corp.*, 801 F.3d 1126 (9th Cir. 2015),[4] a young mother posted to the website

[4]For the relevant video, see Stephanie Lenz, *"Let's Go Crazy" #1*, YouTube (Feb. 7, 2007), URL *supra* p. vi.

Youtube a video of her children dancing to 27 barely audible seconds of a famous Prince song. The video was met initially with delight by hundreds of thousands of viewers, and then was met with a "take-down" notice under 17 U.S.C. § 512 alleging infringement by the copyright owner Universal Music. *See id.* at 1130.

On appeal by Lenz's pro bono counsel, the Ninth Circuit held that § 512 requires copyright holders to consider the applicability of fair use, and to have a subjective good faith belief that the use was not authorized by law, before sending a take-down notice. *See id.* at 1131–33. In this case, pro bono representation for an individual litigant established an important precedent, affecting millions of ordinary consumers that create content for public enjoyment and information.

3. *Access to Public Domain Data.* In *Assessment Technologies of WI*, the court held that the owner of a copyrightable database program could not use copyright to lock up access to raw data describing real estate properties, and after remand upheld an attorney fees award to the defendant. *See* 361 F.3d at 435. The suit was not frivolous, objectively unreasonable, or a misuse. *See id.* at 437. Yet, the prospect of a fee award gave the defendant incentive to take on a difficult non-remunerative case:

> The point is only that when a meritorious claim or defense is not lucrative, an award of attorneys' fees may be necessary to enable the party possessing the meritorious claim or defense to press it to a successful conclusion rather than surrender it because the cost of vindication exceeds the private benefit to the party. The best illustration is in fact a case like this, where the party awarded the

> fees, being the defendant, could not obtain an award of damages from which to pay his lawyer no matter how costly it was for him to defend against the suit.

Id.

4. *Defining the Scope of Copyrightability.* One of the most challenging areas in copyright has been the application to software programs of traditional principles affecting copyrightability and infringement—for example, 17 U.S.C. § 102(b) limitations on copyrightability, the idea/expression dichotomy and merger doctrine, substantial similarity to the "look and feel" of software, and "*scenes a faire.*" In its recent Notice of Inquiry to study how these doctrines might apply to software that enables the functional operation of consumer products, the Copyright Office cited numerous cases in which courts delineated modes of analysis relevant to copyright and software. *See* Software-Enabled Consumer Products Study, 80 Fed. Reg. 77668, 77670 (Copyright Office Dec. 15, 2015). In several of these cases, defendants expanded the law while facing potentially severe damages for copyright infringement. *See Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1527–28 (9th Cir. 1992) (establishing that disassembly of computer program is fair use); *Sony Computer Entm't, Inc. v. Connectix Corp.*, 203 F.3d 596, 608 (9th Cir. 2000) (establishing reverse engineering as fair use).

In one of these cases, the plaintiff alleged direct infringement by literal copying of a software program; the defendant (a small business) prevailed on complex legal defenses that helped define how these doctrines applied to software that controls product functions. *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 387 F.3d 522, 543–44 (6th Cir. 2004) (deeming computer lock-out

codes not copyrightable); *id.* at 549–50 (determining that DMCA protection does not apply to printer computer programs). The defendant could not be subject to either statutory damages or attorney fees, and faced minimal risk of actual damages; nonetheless, the defendant pressed forward in the district court to a determination that the software was not protectable. *See Static Control Components, Inc. v. Lexmark Int'l, Inc.*, Nos. 5:02-cv-571, 5:04-cv-84, 2007 WL 1485770, at *6 (Apr. 18, 2007).

5. *Deterring Misconduct and Misuse.* Over the last few years, copyright "trolls"—entities formed solely to profit from rather than to deter infringement—have filed more than 40% of new copyright cases in the district courts. *See* Matthew Sag, *Copyright Trolling, An Empirical Study*, 100 Iowa L. Rev. 1105, 1109 (2015). Having no interest in protecting or licensing copyrighted works, their business model is to sue without prior warning, and exploit the threat of statutory damages to extract windfall settlements. *See* Ben Depoorter & Robert Kirk Waller, *Copyright False Positives*, 89 Notre Dame L. Rev. 319, 344–45 & n.170 (2013).

A defense mounted by public interest organizations, acting pro bono, stemmed the tide of suits by one of the most notorious drive-by plaintiffs, meriting awards of sanctions and attorney fees. *See Righthaven LLC v. Democratic Underground, LLC*, 791 F. Supp. 2d 968, 978–79 (D. Nev. 2011); *Righthaven LLC v. Wolf*, 813 F Supp. 2d 1265, 1273 (D. Colo. 2011); Brad Greenberg, *Copyright Trolls and Presumptively Fair Uses*, 85 U. Colo. L. Rev. 54, 69 & nn.81–82 (2014).

Fees have also been awarded where a defendant establishes that a copyright plaintiff's case was motivated by purposes outside of copyright law. In *Omega SA v.*

Costco Wholesale Corp., on remand from a split decision of this Court, the Ninth Circuit affirmed that Omega had affixed a "barely perceptible" copyrighted design on the back of its watches *not* to disseminate creative works to the public, but solely to exert control against gray market importation. 776 F.3d 692, 696 (9th Cir. 2015). Holding that copyright law "neither condoned nor protected" Omega's actions, the court upheld a fee award to further the purpose of the Copyright Act.

6. *Promoting the Public Interest in Free Speech.* Fee awards similarly have been granted where a small provider of access to Internet newsgroups defeated what the court described as a "serious threat" to public access to free expression, even though the plaintiff's claims were neither frivolous nor objectively unreasonable. *See Perfect 10, Inc. v. Giganews, Inc.*, No. 11-cv-7098, 2015 WL 1746484, at *7 (C.D. Cal. Mar. 24, 2015).

7. *Promoting Lawful Competition.* Where copyright litigation is aimed at stifling competition in the copyrighted works of others, courts have not hesitated to award attorney fees. For example, the Ninth Circuit upheld an award to a competing toy manufacturer, where "failure to vigorously defend could have ushered in a new era of copyright litigation aimed not at promoting expression but at stifling the 'competition' upon which America thrives." *Mattel, Inc. v. MGA Entm't, Inc.*, 705 F.3d 1108, 1111 (9th Cir. 2013).

* * *

Some of the above illustrative cases were won by counsel proceeding pro bono. Other victories were achieved by individual artists or small businesses. But each case, as in *Kirtsaeng*, contributed meaningful precedents to the corpus of copyright law. That individuals, small com-

panies, and pro bono attorneys bore the brunt of establishing those precedents demonstrates, as *Fogerty* anticipated, how incentives like attorney fee awards under § 505 are essential to that "peculiarly important" task of clarifying the law.

III. The Second Circuit's Approach to Section 505 Ignores These Important Public Principles

Despite the recognized importance of using attorney fee awards to promoting the public interest and protecting small defendants, the Second Circuit's fee shifting standard fails on both of these counts. In particular, courts in the circuit fail to account properly for fair use defenses and pro bono counsel in evaluating § 505 awards demonstrates its failure to apply that statute in view of the public interest considerations central to copyright.

1. With regard to fair use defenses: the Second Circuit, indefensibly, denied an award of fees to an "appropriation" artist *precisely because* his work pushes the envelope of copyright law. *Blanch v. Koons*, 485 F Supp. 2d 516, 518 (S.D.N.Y. 2007). Both the Second Circuit and the district court recognized that the artist, by defending against copyright infringement, "inherently raises difficult questions about the proper scope of copyright protection and the fair-use doctrine." *Blanch v. Koons*, 467 F.3d 244, 263 (2d Cir. 2006) (Katzmann, J., concurring), *quoted in Blanch*, 485 F Supp. 2d at 518. Indeed, the Second Circuit agreed specifically that the goals of copyright law "would be better served by allowing" the artist's derivations as fair uses. *Id.* at 259.

Such an advancement of copyright law might seem like a straightforward case for attorney fees under § 505,

but the district court did exactly the reverse, *denying* fees precisely because the artist had made such reliance on fair use. The court theorized that artists who push the copyright envelope should "expect that their work may attract lawsuits," and therefore "must accept the risks of defense, including the time, effort, and expenses involved." *Blanch*, 485 F Supp. 2d at 518.

Artists may or may not deserve an award of fees in a particular case, but any notion that fees should be denied to a category of litigants *because* their work depends on the proper interpretation of copyright law turns *Fogerty* on its head. It runs antithetical to the language and purpose of § 505.

This skewed attorney fee approach recurred in the landmark fair use case *Authors Guild, Inc. v. HathiTrust*. The district court endorsed as fair use certain practices by university and nonprofit libraries relating to digitizing works for searchability and making accessible versions for disabled patrons. 902 F Supp. 2d 445, 464–65 (S.D.N.Y. 2012), *aff'd*, 755 F.3d 87 (2d Cir. 2014). The court observed that the "goal of promoting the Progress of Science would be better served" by permitting the defendant's claimed fair use, which the district further described as an "invaluable contribution to the progress of science and cultivation of the arts." *Id.* at 464.

Even so, the district court denied the defendants' request for attorney fees. Downplaying its own observations about the valuable precedent established by the defendants, the court instead credited both "plaintiffs and defendants together who by their advocacy helped delineate the respective rights of creators and users." *Authors Guild, Inc. v. HathiTrust*, No. 11-cv-6351, 2013 WL 603193, at *1 (S.D.N.Y. Feb. 15, 2013). Such a princi-

ple, taken to its logical end, would deny attorney fees in *every* case argued by both sides, rendering § 505 a nullity. More importantly, it ignores the significant advances to the public interest, especially for archival libraries and disabled persons, that the *HathiTrust* defendants alone brought about by their pursuit of the fair use defense.

Other courts, by contrast, have applied more appropriate reasoning when considering fee awards in cases where defendants make fair use of existing images and objects as aesthetic observation and cultural commentary. *See, e.g.*, *SOFA Entm't, Inc. v. Dodger Prods.*, 709 F.3d 1273, 1280–81 (9th Cir. 2013) (granting fees to avoid a "chilling effect on creativity" and not to "discourage the fair use of existing works in the creation of new ones"). This direct consideration of the effect of a successful fair use defense sharply contrasts with the Second Circuit's erroneous analysis.

2. Furthermore, the Second Circuit's view that attorney fees are more properly denied when counsel is pro bono underscores the degree to which the Second Circuit doctrine has strayed from the proper office of § 505. In denying fees to Kirtsaeng, the district court in the present case reasoned that "the novelty and potential importance of his case attracted offers of *pro bono* representation," meaning that Kirtsaeng "was not threatened by high litigation costs." *John Wiley & Sons, Inc. v. Kirtsaeng* ("*Kirtsaeng I*"), No. 08-cv-7834, 2013 WL 6722887, at *5 (S.D.N.Y. Dec. 20, 2013) (Pet. Cert. 19a–20a). While the Second Circuit "respectfully question[ed]" this analysis, the appellate court neither rejected it nor reversed on that basis. *John Wiley & Sons, Inc. v. Kirtsaeng*, 605 F App'x 48, 50 n.2 (2d Cir. 2015) (Pet. Cert. 5a n.2).

This Court should outright reject this flawed and dangerous proposition of the district court. Fees should not be denied either because counsel proceeded pro bono, or on the assumption that a prevailing defendant, following years under an improvidently-issued injunction, could restart its business. *Cf. Kirtsaeng I*, 2013 WL 6722887, at *4 (Pet. Cert. 16a). By that same perverse logic, fees never should be awarded where a copyright owner can afford to pay counsel and stanched its losses. Neither result advances the Copyright Act, and neither should be followed.

Particularly where recovery is small or nil, and the stakes for the public interest are high, a potential award of fees encourages counsel to take on a copyright Goliath pro bono; whereas a denial of fees dissuades counsel from pursuing meritorious cases where a principled David might otherwise stand his ground. Surely the purposes of copyright are buoyed by decisions that advance the law and the public interest, regardless of whether the prevailing party can afford to pay as they go. Just as *Fogerty* demands evenhanded treatment of defendants and plaintiffs, it demands the same impartial discretion regardless of whether representation is provided on an hourly, contingent, or pro bono basis.

These considerations demonstrate the refusal of Second Circuit courts to account for the public interest in assessing whether to grant fee awards under § 505. That refusal fails the principles of *Fogerty* and the principles of good public policy. This Court should reverse the Court of Appeals and instantiate the correct test for attorney fee awards under § 505, consistent with the principles outlined in this brief.

CONCLUSION

For the foregoing reasons, this Court should reverse the judgment of the Court of Appeals and remand for further proceedings.

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IN THE

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SUPAP KIRTSAENG, DBA BLUECHRISTINE99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

On Writ Of Certiorari To The United States Court Of Appeals For The Second Circuit

BRIEF OF RIMINI STREET, INC. AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENT

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INTEREST OF *AMICUS CURIAE*[1]

Amicus curiae Rimini Street, Inc. is a defendant in ongoing copyright infringement litigation brought by Oracle Corporation. *Oracle USA, Inc.* v. *Rimini Street, Inc.*, 2:10-cv-00106-LRH-PAL (D. Nev. Jan. 25, 2010). After the jury returned a verdict finding that Rimini Street was liable only for "innocent" infringement, Oracle sought an award of attorneys' fees significantly larger than the verdict amount. *Id.* at ECF No. 917 (Nov. 13, 2015). The fee request has not yet been decided by the district court, and Rimini Street is not asking this Court to weigh in on Oracle's request. Rather, Rimini Street's interest is in ensuring that the standard for attorneys' fees under the Copyright Act continues to balance the interests of rights-holders and accused infringers, without unduly favoring the prevailing party in any case.

For the reasons set forth below, Rimini Street respectfully submits that under the plain language of 17 U.S.C. § 505, the policies underlying the Copyright Act, and this Court's precedent, district courts must be granted broad discretion not only to *grant* attorney fee requests, but also to *deny* attorney fee requests where appropriate and in keeping with the purposes of the Copyright Act.

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[1] Pursuant to Supreme Court Rule 37.6, counsel for *amicus curiae* states that no counsel for a party authored this brief in whole or in part, and no person or entity other than *amicus curiae* or its counsel made a monetary contribution to this brief's preparation or submission. All parties have consented to the filing of this brief.

SUMMARY OF THE ARGUMENT

Petitioner, having successfully defended against a copyright infringement lawsuit, asks this Court to declare that fees are "generally appropriate" and "ordinarily appropriate" where a prevailing party achieves a result that "meaningfully clarifies" the Copyright Act. Pet. Br. 35–36. Since every prevailing party will, like petitioner, claim to have achieved such a result, petitioner is thus asking this Court to adopt a standard under which virtually every prevailing party is "generally" entitled to recover attorneys' fees—that is, a presumption in favor of fees to the prevailing party.

Petitioner's position cannot be reconciled with this Court's decision in *Fogerty* v. *Fantasy, Inc.*, 510 U.S. 517 (1994), and should not be adopted here. District courts must be given discretion to grant *or deny* attorney fee requests when doing so furthers the purposes of the Copyright Act, with no thumb on the prevailing party's side of the scale. Particularly in cases between competitors and involving innocent infringement, district courts should have discretion to withhold fee awards *even if* the litigation had the effect of "meaningfully clarif[ying]" copyright law. Constraining district courts' discretion in these situations with presumptions would impede, rather than promote, the purposes of the Copyright Act.

ARGUMENT

The Copyright Act and this Court's precedent afford district courts discretion to grant—and deny—attorney fee motions depending on the facts and circumstances of each case. Adopting a presumption that prevailing parties are "generally" or "ordinarily"

entitled to fees, as petitioner proposes, would impermissibly constrain that discretion and lead to fee awards in circumstances that do not further the purposes of the Copyright Act.

I. SECTION 505 GRANTS COURTS DISCRETION TO AWARD OR WITHHOLD FEES

There is no presumption in favor of attorneys' fees under the Copyright Act. Rather, Section 505 of the Copyright Act consists of two straightforward sentences, which provide discretion to the district court twice over. *See Fogerty*, 510 U.S. at 538 (Thomas, J., concurring) (noting that the "full text of § 505" provides "further support" for the Court's conclusion that any fee award is discretionary). First, district courts are explicitly granted "discretion" to award "costs." 17 U.S.C. § 505 ("In any civil action under this title, *the court in its discretion may* allow the recovery of full costs by or against any party other than the United States or an officer thereof") (emphasis added). Second, if the district court exercises its discretion to award costs, the district court *may* (or may not) also award a reasonable attorneys' fee to the prevailing party. *Ibid.* ("Except as otherwise provided by this title, the court *may* also award a reasonable attorney's fee to the prevailing party as part of the costs") (emphasis added).

This Court in *Fogerty* rejected a presumption in favor of fees "as a matter of course, absent exceptional circumstances" because such a presumption "would pretermit the exercise of [the] discretion" "clearly" provided by the "plain language of § 505." *Fogerty*, 510 U.S. at 533. In addition, the Court noted that "it is the general rule in this country that un-

less Congress provides otherwise, parties are to bear their own attorney's fees," and the Court found it "impossible to believe" that Congress adopted a contrary rule in Section 505. *Id.* at 534 (citing *Alyeska Pipeline Service Co.* v. *Wilderness Society*, 421 U.S. 240, 247–62 (1975)). In so holding, the Court rejected a number of cases that applied a presumption similar to the one petitioner advocates here. *E.g.*, *McCulloch* v. *Albert E. Price*, 823 F.2d 316, 323 (9th Cir. 1987) ("fees are generally awarded to the prevailing plaintiff"); *Diamond* v. *Am-Law Pub. Corp.*, 745 F.2d 142, 148 (2d Cir. 1984) ("fees are generally awarded to prevailing plaintiffs").

This Court in *Fogerty* also provided lower courts with guidance on how to determine whether to award fees to prevailing parties. The Court has done much the same in other areas involving discretionary decisions under the Copyright Act. *See, e.g.*, *eBay Inc.* v. *MercExchange, LLC*, 547 U.S. 388, 392–93 (2006) (district courts are to consider four traditional factors in exercising their discretion to "grant injunctive relief" under the Patent Act "consistent with our treatment of injunctions under the Copyright Act").

With respect to attorneys' fees, although "[t]here is no precise rule or formula," "equitable discretion should be exercised," and courts should consider a variety of factors "so long as such factors are faithful to the purposes of the Copyright Act and are applied to prevailing plaintiffs and defendants in an even-handed manner." *Fogerty*, 510 U.S. at 534 (quoting *Hensley* v. *Eckerhart*, 461 U.S. 424, 436–37 (1983)). Those factors include "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in

particular circumstances to advance considerations of compensation and deterrence." *Id.* at 534 n.19.

This Court has since reaffirmed *Fogerty*. *See, e.g.*, *Octane Fitness, LLC* v. *ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014) ("As in the comparable context of the Copyright Act, '[t]here is no precise rule or formula for making these determinations,' but instead equitable discretion should be exercised 'in light of the considerations we have identified'") (quoting *Fogerty*, 510 U.S. at 534); *id.* at 1756 n.6 (listing *Fogerty* factors, including "objective unreasonableness," as appropriate considerations in determining whether to award fees to the prevailing party); *Martin* v. *Franklin Capital Corp.*, 546 U.S. 132, 136 (2005) (rejecting "a strong presumption in favor of awarding fees" where statute provides that a court "may," "not 'shall' or 'should,'" award fees and quoting *Fogerty*). And petitioner offers no argument or justification for this Court's reconsideration of that decision.

The district court here weighed the *Fogerty* factors and exercised its discretion to deny petitioner's fee request. The court found that the position advanced by the copyright holder in the underlying litigation had been "objectively reasonable" (*John Wiley & Sons, Inc.* v. *Kirtsaeng*, 2013 WL 6722887, at *1 (S.D.N.Y. Dec. 20, 2013))—indeed, it was accepted by the district court, the court of appeals, and three Justices of this Court. In giving the objective reasonableness factor what it termed "substantial weight," the court did *not* find this factor dispositive; on the contrary, it specifically noted that "other factors may, in some circumstances, outweigh the objective reasonableness of the non-prevailing party," but

"this is not such a case." *Id.* at *3–4. The court addressed each of the remaining factors, finding that frivolousness, motivation, and considerations of compensation and deterrence did not weigh in favor of a fee award. *Ibid.* The court also addressed "three additional" factors raised by petitioner, but held that they were unpersuasive under "the facts of this case." *Id.* at *4–6.

The Second Circuit affirmed, rejecting petitioner's argument that the district court improperly "'fixated' on John Wiley & Sons' objective reasonableness at the expense of other relevant factors." *John Wiley & Sons, Inc.* v. *Kirtsaeng*, 605 F. App'x 48, 49–50 (2d Cir. 2015) (unpublished), *cert. granted*, 136 S. Ct. 890 (2016). As the Second Circuit explained, the district court had evaluated each factor "in its thorough opinion" and concluded that an award of fees would not further the purposes of the Copyright Act. *Ibid.* That ruling, the Second Circuit concluded, was not an abuse of discretion on this record.

Although petitioner devotes much of his brief to criticizing the use of objective reasonableness as a factor in the fee analysis, this Court already approved of it in *Fogerty*. 510 U.S. at 538 n.19. And for good reason: To award fees against a party, like respondent, who advocated an eminently reasonable position in a "novel or close" case, the district court explained, would "discourage" parties from litigating issues that clarify the "boundaries of the copyright law." *Wiley*, 2013 WL 6722887, at *4; *see also* Resp. Br. 24–29. As a result, regardless of whether this Court approves of the Second Circuit's precise formulation of the "objectively reasonable" factor, *it clearly is a factor that courts may consider*. Unless its appli-

cation here was an abuse of discretion—and respondent convincingly demonstrates that it was not—then petitioner's criticisms of this factor amount to nothing other than disagreement with *Fogerty* itself.

In short, this Court's precedents make clear that district courts have discretion to either award or withhold fees based on a multitude of factors, and there is no presumption in favor of fees under any circumstances. The district court exercised that discretion here, and the court of appeals affirmed that decision. Petitioner's argument is an affront to *Fogerty* and the traditional equitable factor that *Fogerty* endorsed.

II. PETITIONER'S PROPOSED STANDARD WOULD UNDULY CONSTRAIN COURTS' DISCRETION TO DENY FEE REQUESTS

Petitioner advocates a standard that is tantamount to a presumption in favor of awarding fees to the prevailing party, and that would necessarily, and inappropriately, constrain the exercise of the district court's discretion in deciding whether to award or withhold attorneys' fees in copyright cases. Such a presumption would result in fee awards that are directly contrary to the purposes of the Copyright Act, particularly in cases between competitors and involving innocent infringement. Petitioner's proposed standard should therefore be rejected.

A. Petitioner's Standard Is Tantamount to a Presumption

Petitioner argues that a fee award is "generally appropriate" and "ordinarily appropriate" where the prevailing party has advanced the purposes of the

Copyright Act by "meaningfully clarif[ying] the Act's substantive contours." Pet. Br. 4, 14, 35–36, 40.

This Court, however, rejected a nearly identical standard in *Fogerty*. 510 U.S. at 533 (rejecting cases holding that fees are generally awarded to the prevailing party); *cf. Martin*, 546 U.S. at 136 (rejecting similar "presumption in favor of awarding fees" under removal statute); *United States* v. *Sarras*, 571 F.3d 1111, 1141 n.38 (11th Cir.) ("What we ordinarily expect we rebuttably presume"), *overruled on other grounds by* 575 F.3d 1191 (11th Cir. 2009). Petitioner's proposed standard would necessarily constrain the district court's discretion contrary to both Section 505 and this Court's decision in *Fogerty*.

Making fees "generally" available to prevailing parties that meaningfully clarify the Copyright Act would in practice apply to *all* prevailing parties since nearly every case clarifies the Copyright Act to some degree, particularly at the appellate level. Or so prevailing parties would contend if petitioner's standard were to become law. After all, if a party's claims or defenses did not further the purposes of the Act, presumably that party would not have prevailed.

Petitioner also argues that fees are "generally appropriate" where a result has "directly promoted creation or dissemination" of creative works, but provides no explanation for how this standard could meaningfully be applied. Pet. Br. 4. Indeed, as petitioner acknowledges, compensating authors (when a plaintiff wins) and increasing access to works (when a defendant wins) *both* promote this goal, and so *eve-*

ry case will involve a prevailing party who has promoted the purposes of the Copyright Act. *Id.* at 15.

Petitioner argues the district court erred by applying a standard that "displaces a district court's elemental discretion to assign relative weights to factors in evaluating the appropriateness of a fee award." Pet. Br. 13. But petitioner seeks to do just that by elevating the "jurisprudential importance" factor above all others. Indeed, petitioner's proposed standard is tantamount to a presumption in favor of the prevailing party in all cases—the very notion rejected in *Fogerty*—and it should be rejected.

B. Petitioner's Standard Would Result in Fee Awards Contrary to the Purposes of the Copyright Act

Petitioner's proposal that fees be "generally" available in any case where a prevailing party helped define the contours of the Copyright Act would result in fee awards that run directly contrary to the purposes of the Copyright Act. Set forth below are a few pointed examples of situations where fees should not be awarded, but may be under petitioner's standard.

1. Anticompetitive Litigation

The ultimate purpose of the Copyright Act is to promote technological progress ("Science") and creative innovation ("useful Arts") through the production of works for the general public good. U.S. Const. art. I, § 8, cl. 8; *Fogerty*, 510 U.S. at 524–27; *Feist Publ'ns, Inc.* v. *Rural Tel. Serv. Co.*, 499 U.S. 340, 1289–90 (1991) ("The primary objective of copyright is not to reward the labor of authors, but '[t]o promote the Progress of Science and useful Arts'"); *Twentieth Century Music Corp.* v. *Aiken*, 422 U.S.

151, 156 (1975) ("The immediate effect of our copyright law is to secure a fair return for the author's creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good."). Copyright litigation serves this purpose by rewarding copyright holders for their works (thereby encouraging others to create), and by helping demarcate the boundaries of copyright law. *Twentieth Century Music Corp.*, 422 U.S. at 156.

However, copyright litigation can also be used as a weapon by one competitor against another "to secure a competitive advantage." *Maljack Prods., Inc.* v. *GoodTimes Home Video Corp.*, 81 F.3d 881, 889 (9th Cir. 1996). By leveraging copyrights in order to extract settlements, drive up litigation costs against a smaller and less-funded competitor, or obtain monopoly power in secondary markets, plaintiffs have in many instances used copyrights in a way that does not promote innovation, but rather constrains market competition. *See, e.g.*, *Assessment Techs. of WI, LLC* v. *Wire Data, Inc.*, 361 F.3d 434, 437 (7th Cir. 2004) (improper "for a copyright owner to use an infringement suit to obtain property protection, here in data, that copyright law clearly does not confer, hoping to force a settlement or even achieve an outright victory over an opponent that may lack the resources or the legal sophistication to resist effectively") (citation omitted); *Alcatel USA, Inc.* v. *DGI Tech., Inc.*, 166 F.3d 772, 794 (5th Cir. 2002) (plaintiff used copyright litigation to "secur[e] a limited monopoly over its uncopyrighted microprocessor cards" and prevent its competitor from "developing its product").

This Court in *Fogerty* based its standard for attorneys' fees on these important principles. The

Court explained that "the monopoly privileges that Congress authorized" in the Copyright Act "are limited in nature and must ultimately serve the public good." 510 U.S. at 526; *see also id.* ("The limited scope of the copyright holder's statutory monopoly reflects a balance of competing claims upon the public interest") (quoting *Aiken*, 422 U.S. at 156). And it rejected a standard favoring copyright plaintiffs because although attorney fee awards should discourage copyright infringement, they should also encourage competition. *Fogerty*, 510 U.S. at 526–27 ("copyright law ultimately serves the purpose of enriching the public through access to creative works").

An anticompetitive copyright infringement action could clarify an important aspect of copyright law, and under petitioner's presumption the prevailing anticompetitive plaintiff would therefore "generally" be entitled to attorneys' fees. But such lawsuits do not further the purposes of the Copyright Act, and they should not be encouraged by a presumption in favor of attorneys' fees for the prevailing party. *See Omega S.A.* v. *Costco Wholesale Corp.*, 776 F.3d 692, 699 (9th Cir. 2015) (Wardlaw, J., concurring) ("An owner's attempt to impermissibly expand his lawful protection from competition contravenes the policy of the copyright laws"); *cf. Morton Salt Co.* v. *G.S. Suppiger Co.*, 314 U.S. 488, 494 (1942) ("The patentee, like these other holders of an exclusive privilege granted in the furtherance of a public policy, may not claim protection of his grant by the courts where it is being used to subvert that policy"), *abrogated on other grounds by Ill. Tool Works, Inc.* v. *Indep. Ink, Inc.*, 547 U.S. 28 (2006). Indeed, the public is *disserved* by an outcome that reduces competition and does not

encourage innovation. *See Mattel, Inc.* v. *MGA Entm't, Inc.*, 705 F.3d 1108, 1111 (9th Cir. 2013) (copyright lawsuit "that was stunning in scope and unreasonable in the relief it requested" "could have ushered in new era of copyright litigation aimed not at promoting expression but at stifling the 'competition' upon which America thrives") (citation omitted).

District courts *must* be given discretion to deny attorney fee requests where the court determines that awarding fees would provide incentives for anti-competitive litigation and harm competition.

2. Behemoth Prevailing Plaintiffs

Any presumption in favor of fees would also lead to increased settlements of even the most frivolous claims, because the largest copyright holders will have every incentive to sue their much smaller competitors and drive up litigation costs in the process, knowing that a fee award acts as leverage if they manage to clarify the Copyright Act at some stage of the lawsuit. *Fogerty*, 510 U.S. at 524 ("entities which sue for copyright infringement as plaintiffs can run the gamut from corporate behemoths to starving artists; the same is true of prospective copyright infringement defendants") (quotation omitted); *Perfect 10, Inc.* v. *Giganews, Inc.*, 2011 WL 1746484, at *11 n.4 (C.D. Cal. Aug. 4, 2011) (copyright lawsuit prosecuted in an "unnecessarily litigious manner that was guaranteed (if not designed) to drive up the costs of litigation"); *Warner Bros., Inc.* v. *Dae Rim Trading, Inc.*, 677 F. Supp. 740, 745, 773 (S.D.N.Y. 1988) (plaintiff "unreasonably prolonged" litigation in "vexatious" and "oppressive" manner against "small shopkeeper who committed but a single and innocent

infringement" in order to collect "disproportionately large statutory damages and attorney's fees"), *rev'd*, 877 F.2d 1120, 1126 (2d Cir. 1989) (concluding that "neither party's success was sufficiently significant to mandate an award of attorneys' fees").

This is particularly true in an increasingly digitized economy, where acts of copyright infringement inevitably occur as startup companies seek to enter the software, video game, television, music, and motion picture industries. The limited monopoly conferred by the Copyright Act is hedged about with many statutory and common-law defenses. Persons of good faith may make use of copyrighted works with a well-founded belief that there is no infringement, or that any infringement is permitted as "fair use" or otherwise, but some of these new entrants will assess the legal landscape incorrectly. The Copyright Act sensibly caps the damages exposure in such cases (unless the rights holder can prove actual damages). 17 U.S.C. § 504. But a presumption in favor of attorneys' fees for prevailing parties would alter these incentives since the fee award could (as in Rimini Street's case) well exceed the maximum amount of statutory damages.

Petitioner apparently agrees, arguing that in some circumstances "a plaintiff or defendant who faced down a sophisticated, moneyed adversary is more deserving of fees, since such parties will ordinarily confront extreme pressure to settle rather than battle a juggernaut." Pet. Br. 50. But the reverse is also true: A party who *loses* a copyright infringement lawsuit for innocent acts of infringement to a "corporate behemoth" should not presumptively be required to pay attorneys' fees.

3. Reasonable Defenses

Petitioner's standard would also incentivize frivolous claims and discourage reasonable defenses, because only the former would lead to a fee award.

Petitioner argues that fees should be "generally" available to parties who take "novel" positions and prevail, because those cases involve the "highest risk" of losing and are therefore "in the most need of encouragement." Pet. Br. 33. In other words, a plaintiff who files a frivolous lawsuit but manages to prevail would be presumptively entitled to attorneys' fees against a defendant who asserted unassailably reasonable defenses, simply because the result of the plaintiff's lawsuit was a change in the law.

Indeed, *amicus curiae* for petitioner goes so far as to argue that had respondent won this case, it would *not* be entitled to fees because its position was in line with controlling law at the time. *See* Public Knowledge Br. 10–11 ("in a counterfactual world where Wiley won on the first sale issue, Wiley would not merit attorney fees by reason of successfully narrowing the first sale doctrine" because Wiley's position was merely "a mine-run response to a novel defense," rather than a "novel theory of infringement"). This is so, petitioner's *amicus* argues, even though the *same* law would have been clarified regardless of the winning party, given that this Court had recently split 4-4 on the central issue that respondent litigated. *See Costco Wholesale Corp.* v. *Omega S.A.*, 131 S. Ct. 565 (2010).

Petitioner's standard would create an incentive for novel and even frivolous copyright lawsuits, and penalize defendants who assert well-accepted de-

fenses in good faith. Because a fee award would be presumptively appropriate in cases where the prevailing party took a position contrary to "leading appellate precedent" and nevertheless won, the *losing* party, who presumably took a position *consistent* with "leading appellate precedent," will by definition have raised reasonable arguments.

Petitioner argues that by weighing as a factor the "objective reasonableness" of the losing party's legal and factual arguments, "the game is rigged for plaintiffs in just the way *Fogerty* rejects." Pet. Br. 4. That is wrong, as Rimini Street's experience demonstrates: A unanimous jury found that the conduct challenged by Oracle was infringing, but that this infringement had been "innocent"—i.e., Rimini Street did not know, and had no reason to believe, that its acts were infringing. According to the jury's verdict, Rimini Street's conduct was therefore objectively reasonable by definition. Thus, the "objective reasonableness" factor can weigh against fees for a plaintiff (such as respondent) or a defendant (such as Rimini Street), and its application does not conflict with this Court's holding in *Fogerty* that fees must be awarded "to prevailing plaintiffs and defendants in an evenhanded manner." 510 U.S. at 534 n.19.

Moreover, petitioner's standard would have the opposite of its intended effect. In the close cases where the scope of the copyright laws is most likely to be clarified, petitioner's standard would discourage defendants from litigating, given that they could be on the hook for not only damages but the plaintiff's attorneys' fees. *Cf. Cooter & Gell* v. *Hartmax Corp.*, 496 U.S. 384, 408 (1990) (award "would be likely to chill all but the bravest of litigants from tak-

ing an appeal"). It is precisely in these close cases, where both sides' arguments are reasonable, that the Copyright Act should encourage—and importantly, not *discourage*—the parties to litigate. But petitioner's standard would have the opposite effect, because parties in close cases would know that they will have to pay fees if their opponent's position turns out to be successful.

Given that copyright cases present a number of novel or unsettled issues, particularly at the appellate level, courts must examine the reasonableness of the parties' positions. To presumptively require fees from a defendant who by definition took an objectively reasonable position would encourage frivolous claims and defenses and, as respondent argues, present serious administrative difficulties, as it will be impossible in many instances to assess the "seismic significance" of a case until far after it is decided. Accordingly, district courts should be granted discretion to assess the reasonableness of the positions advocated in each particular case, unconstrained by a presumption in favor of fees.

4. Non-Willful or Innocent Infringement

Persons found liable for innocent infringement should under no circumstances be penalized with an attorney fee award, yet petitioner's proposed standard would constrain district courts' ability to deny fee requests in such circumstances.

Consistent with this Court' s guidance in *Fogerty* to consider the objective reasonableness of the losing party's arguments, many courts consider whether the infringement was willful before awarding fees, because a large fee award can be punitive in nature.

See, e.g., Melville Nimmer & David Nimmer, *Nimmer on Copyright* § 14.10[D][2][a], at 14-155 (2004) ("One of the most common circumstances warranting an award of attorney's fees is deliberate infringement"); *Arista Records, Inc.* v. *Beker Enters., Inc.*, 298 F Supp. 2d 1310, 1316 (S.D. Fla. 2003) (awarding fees against willful infringer "serve[s] the important functions of deterring future infringements, penalizing Defendants for their unlawful conduct, and compensating Plaintiffs for the attorney's fees and costs they were forced to incur in order to protect their copyrights"). This is doubly true where the infringement is innocent, because an act of innocent infringement is *malum prohibitum*, not *malum in se*. *Transgo, Inc.* v. *Ajac Transmission Parts Corp.*, 768 F.2d 1001, 1027 (9th Cir. 1985) (defendant's good faith may justify denial of attorneys' fees under Section 505); *Dolori Fabrics, Inc.* v. *Limited, Inc.*, 662 F. Supp. 1347, 1357–58 (S.D.N.Y. 1987) (declining to award attorneys' fees against "unintentional" infringer).

Yet "innocent infringers" will be especially vulnerable to attorney fee awards under petitioner's standard. An innocent infringer, which by definition has no reason to believe it has acted unlawfully, will rationally defend itself against claims of copyright infringement. 17 U.S.C. § 504(c)(2) (innocent infringer defined as one who "was not aware and had no reason to believe that his or her acts constituted an infringement of copyright"). To nevertheless punish an innocent infringer with a fee award because the plaintiff prevailed on a "novel" theory that is contrary to "appellate precedent" would discourage good-

faith defenses and instead encourage innocent parties to settle even frivolous claims.[2]

No court has exercised its discretion under *Fogerty* to award fees against an innocent infringer. That should not surprise, because innocent infringers' arguments are by definition not frivolous and are objectively reasonable. And the deterrence factor likewise favors innocent infringers because, as the United States Department of Commerce recently recognized in a long-awaited report on the Copyright Act, innocent infringers "will not need to be deterred from future infringement." *See* U.S. Dep't of Commerce, White Paper on Remixes, First Sale, and Statutory Damages, U.S. Patent & Trademark Office, 91 (Jan. 2016). Petitioner's standard, however, would make fees "generally" available *even against innocent infringers*. That is yet another indicium of its incorrectness.

At least three *Fogerty* factors (frivolousness, deterrence, and reasonableness) counsel against fee awards against innocent infringers. District courts must be allowed to weigh these factors in light of the facts and circumstances of each case, unconstrained by any presumptions, in exercising their discretion to grant or deny fee applications.

CONCLUSION

This Court should reaffirm its unanimous decision in *Fogerty*, hold that district courts have discretion to award or withhold fees under 17 U.S.C. § 505,

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[2] If there were ever a basis for a presumption in the attorney fee context, it would be *against* awarding fees where the infringement was adjudicated to have been innocent.

and reject any hint of a presumption in favor of fees to prevailing parties.

Respectfully submitted.

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IN THE

Supreme Court of the United States

SUPAP KIRTSAENG D/B/A BLUECHRISTINE99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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INTEREST OF *AMICUS CURIAE* [1]

Volunteer Lawyers for the Arts, Inc. ("VLA") was established in 1969 with a mission to provide low-income arts-related legal aid, education, and advocacy to artists and arts and cultural organizations ("ACOs"). VLA is dedicated to voicing the unique interests of its individual artists and ACOs and to protect their rights when at risk. To achieve this mission, VLA provides its members with pro bono legal representation, legal counseling, and innovative educational programs. Over the last 47 years, VLA has played a significant role in the arts community, serving more than 300,000 low-income artists and nonprofit organizations across the United States and providing an estimated over $20 million worth of pro bono legal services annually.

VLA is the pioneer in arts-related legal aid and educational programming concerning the legal and business issues that affect artists and arts organizations. VLA believes that individual artists and arts organizations deserve access to dedicated

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[1] Pursuant to Sup. Ct. R. 37.6, VLA and its counsel represent that they have authored the entirety of this brief, and that no person or entity other than the *amicus curiae* or its counsel has made a monetary contribution to the preparation or submission of this brief. Pursuant to Sup. Ct. R. 37.2(a), both parties to the case have consented to the blanket filing of *amici curiae* briefs in support of either party or neither party in separate docket entries both dated February 11, 2016.

legal representation and advocacy to ensure that their interests are protected.

The artists seeking VLA assistance are low-income creators of copyrighted works of every variety. They include painters, sculptors, graphic artists, photographers, authors, playwrights, dancers, screenwriters, documentary film producers and small movie producers. In this age of digital technology and the Internet, these clients' works are increasingly being misappropriated or used by others in infringing ways. In many cases the users are large corporations or well financed individuals. With the rapid proliferation of copying technologies, often VLA's clients find themselves in a game of "whack-a-mole" where even when an infringement is remedied, another pops up simultaneously.

Unfortunately, resorting to litigation is sometimes necessary to vindicate VLA's clients' rights. In such cases, VLA and its participating law firms provide pro bono representation, but they cannot protect their clients from the threat of a large personal liability for costs and attorney's fees in the event they and their lawyers have not been successful for one reason or another.

VLA submits this *amicus* brief to lend its unique voice on behalf of these low-income artists who will be affected by the ruling of the Court in this case.

SUMMARY OF ARGUMENT

VLA's clients are artists who struggle to make a living from their craft. In VLA's experience, when

an artist is a plaintiff in a copyright action, the prospect of having to pay for the other side's attorney's fees if the artist loses – even where the claim is objectively reasonable or the law is ambiguous – sometimes results in a "chilling effect" that deters impoverished artists from bringing suit. Similarly, for artists who are defendants, the threat of having to pay the other side's fees sometimes causes them to settle and yield rights rather than risk a possible fee award against them. This is especially true in matters where application of the law to a given set of facts is unclear, as is often the case in matters where the case turns on issues of substantial similarity, fair use, works for hire, derivative works, satires and parodies. In particular, just as technology is evolving rapidly, so is the definition of "fair use" under the so-called "transformative use" analysis.

These concerns are valid even where artists are provided with pro bono counsel, as fees are assessed against the party, not their counsel. Pro bono law firms cannot, of course, take on the responsibility for fee awards against their clients, and often also do not advance costs in pro bono matters. Even putting aside fees, hard costs for subpoenas, document production, deposition transcripts and the like can add up quickly in copyright litigation, and may be included in the costs awarded under Section 505 of the Copyright Act.

VLA believes the Second Circuit's "totality of the circumstances" approach, utilized in this case, as well as in the Third, Fourth and Sixth Circuits, is consistent with this Court's decision in *Fogerty v.*

Fantasy, Inc., 510 U.S. 517 (1994) and strikes the appropriate balance. The objective reasonableness of the losing party's argument remains an important and appropriate – though never dispositive – consideration in whether to award fees.

VLA therefore supports affirmance of the Order below.

ARGUMENT

This Court granted *certiorari* in this case to address the question of "[w]hat is the appropriate standard for awarding attorney's fees to a prevailing party under § 505 of the Copyright Act?" Brief for Petitioner Seeking Writ of *Certiorari*, *John Wiley & Sons, Inc. v. Kirtsaeng*, No. 15-375 (S.Ct. Sept. 23, 2015) ("Petition").

VLA supports an affirmation of the standard established by this Court in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994). In *Fogerty*, this Court ruled that courts should review requests for fee awards to prevailing copyright owners and to prevailing accused infringers in an evenhanded manner. *Id.* at 534. It further added: "There is no precise rule or formula for making these determinations, but instead equitable discretion should be exercised in light of the considerations we have identified." *Id.* at 534.

The Court then provided guidance on the factors a court might consider in making its determination. The factors include "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and

the need in particular circumstances to advance considerations of compensation and deterrence." *Id.* at 534 n.19 (citing *Lieb v. Topstone Indus.*, 788 F.2d 151 (3d Cir. 1986)).

Since *Fogerty*, the lower courts have applied these factors in different ways, although the Circuits are not as split as the Petitioner's Brief presents. *See* Brief for Petitioner, *John Wiley & Sons, Inc. v. Kirtsaeng*, No. 15-375 (S.Ct. Feb. 22, 2016) (hereafter "Petitioner's Brief"), at 12-16. The Third Circuit has continued to follow its *Lieb* precedent, and the Fourth and Sixth Circuits have essentially followed suit. While the Second Circuit has sometimes referred to the "objective unreasonableness" factor as important, it has not impermissibly deviated from *Fogerty*. Other courts, however, have deviated from *Fogerty* by applying presumptions (Fifth and Seventh Circuits), or by adding a restrictive separate factor that the award of fees must "advance the purposes of the Act" (Ninth and Eleventh Circuits).

VLA submits that a separate "advances the Copyright Act" test will be detrimental to its clients. First, VLA clients' experience with close cases under the Copyright Act argues against Petitioner's view that such cases necessarily warrant a fee award. Second, Petitioner's formulation would double count legal considerations, giving it undue weight. Finally, VLA's unique position as a provider of pro bono legal services informs its view that pro bono representation should not be used to evaluate whether an award of fees should or should not be granted.

I. A TOTALITY OF THE CIRCUMSTANCES TEST IS NECESSARY TO PROTECT THE INTERESTS OF LOW INCOME ARTISTS

A. Low Income Artists Face A Dilemma As A Result Of The Fee Shifting Provision Of The Copyright Act

Thousands of low-income artists contact VLA each year seeking legal advice they cannot otherwise afford. VLA provides staff attorneys and volunteers from private law firms to counsel them. As part of their counseling, when copyright disputes arise, VLA and its pro bono law firms are mindful of advising their clients with litigation claims about their potential personal liability for the other side's attorney's fees if they do not prevail. The "other side" is often a huge corporation with prominent (and very expensive) lawyers. Defendants that VLA often encounters include large technology companies, movie or television studios, radio conglomerates and other mass producers of posters or garments.

VLA's clients also include some defendants in copyright suits, for example in copyright ownership disputes or cases of fair use. Here too, VLA and its pro bono law firms are mindful to provide advice about the fee shifting provision of the Copyright Act.

The following four examples provide hypothetical but typical scenarios VLA clients encounter.

SCENARIO ONE: A small independent documentary filmmaker whose copyrighted film

footage was used without his consent in another documentary about the same subject wants to sue the owners of the second documentary. The allegedly infringing film used about 25% of the artist's footage, but its owners are likely to claim that their use puts the footage into a different context and thus is "transformative" and protected under the defense of fair use. *See, e.g., Authors Guild v. Google, Inc.*, 804 F.3d 202 (2d Cir. 2015).

Fair use is codified in 17 U.S.C. § 107, but the doctrine is still viewed by many as "the most troublesome in the whole law of copyright." *Dellar v. Samuel Goldwyn, Inc.*, 104 F.2d 661 (2d Cir. 1939) (per curiam). This Court has opined on the doctrine several times since 1976, but never in the age of the Internet. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994); *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539 (1985). A court's conclusion on fair use in a given case is often very difficult to predict. 4 Nimmer on Copyright § 13.05 (2015). In such a case, VLA may represent either the plaintiff or defendant.

SCENARIO TWO: A low income graphic artist believes his original drawing has been mass produced on t-shirts by a large apparel company whose headquarters are in China. The company claims it did not have access to the artist's work and that its t-shirts are not "substantially similar" to the artist's work. Discovery abroad and expert testimony may be necessary to establish the plaintiff's case and the result is not certain.

"The determination of the extent of similarity that will constitute a *substantial*, and hence

infringing, similarity presents one of the most difficult questions in copyright law, and one that is the least susceptible of helpful generalizations." 4 Nimmer on Copyright § 13.03 (2015).

SCENARIO THREE: A sculptor with an annual income of less than $10,000 wants to sue a large real estate company for copyright infringement because the company has prominently featured his work in a national ad campaign without his permission. The artist's work has clearly been used, but the case is complicated because of the existence of an ambiguous relationship between the artist and a prior benefactor where no written contract existed. It is unclear if the artist was an employee acting within the scope of regular employment when the work was created, and in which case the benefactor would own the work as a work made for hire, or whether the sculptor retained ownership of the copyright.

The question in the case may turn on the confusing "work made for hire" doctrine. *See* 17 U.S.C. § 201(a). This court considered some important aspects of that doctrine in *Community for Creative Non-Violence v. Reid,* 490 U.S. 730 (1989), but commentators have noted that the law is still unclear in many respects. *See* 5 Nimmer on Copyright § 5.03 (2015).

SCENARIO FOUR: The owner of a small not-for-profit film archive is being sued by a famous (and wealthy) musician who wants to prevent the archive from displaying, distributing and reproducing archival footage of the musician. The film archivist claims he lawfully acquired the right to use the

footage in his lectures and his pro bono counsel believes his legal and factual defenses are sound. He nonetheless finds himself named in a copyright infringement lawsuit filed by a prominent intellectual property litigation law firm.

* * *

In each of these scenarios, VLA will do its best to obtain pro bono representation for the client, often by a prominent, national law firm. The law firm will give its opinion as to the merits of the client's claims and any defenses, but it cannot of course guarantee the client will prevail. Thus, even though the pro bono client is receiving free counsel for its own fees, it could face crippling personal liability for the other side's legal fees, even if his or her position is factually and legally reasonable. The pro bono client may also have to find a source of funding to advance the hard costs of litigation, which the other side will know presents a difficult burden.

The test adopted by this Court in this case could easily dissuade a deserving plaintiff from trying to vindicate his rights, or a defendant with a reasonable defense from being able to present that defense.

These examples illustrate why a "totality of the circumstances" test is necessary. Petitioner's proposed test would nearly always award fees to prevailing parties in close cases, discourage meritorious litigation, and restrict the award of fees to cases where some cutting edge issue in copyright law is at stake. None of the propositions is merited.

B. Kirtsaeng's "Close Case" Argument Is Misguided

Kirtsaeng asserts that "close cases presenting novel issues may well be the best chance of advancing the purposes of the Copyright Act," and are thus most deserving of fees. Petitioner's Brief at 33. This proposition is not the law, and no Congressional intent for such a proposition can be found in the language of the statute or the legislative history. It is true that close cases presenting novel issues *sometimes* advance the purposes of the Copyright Act. However, VLA submits that under the *Fogerty* factors, close cases are exactly the types of cases where fees should be closely scrutinized, and often should *not* be awarded.

Although Kirtsaeng advocates for the standard enunciated by the Ninth Circuit, that Circuit has itself recognized that close cases are not always good candidates for fee awards, as illustrated by the controversial *Seltzer v. Green Day* fair use case. *Seltzer v. Green Day, Inc.*, 725 F.3d 1170, 1180 (9th Cir. 2013). This case is particularly relevant to the concerns of VLA. *See* United States Copyright Office, Public Hearing on Copyright Small Claims (November 16, 2012) at 285-87 (testimony of David Leichtman, criticizing district court's fair use conclusion and award of fees before the 9th Circuit reversed the fee award).

In *Seltzer*, the district court had entered summary judgment for the defendants on their fair use defense. *See Seltzer v. Green Day*, CV 10-2103 PSG (PLAx), 2011 U.S. Dist. LEXIS 92393, at *1-2 (C.D. Cal. Aug. 18, 2011). Green Day then moved for

its attorney's fees. In a subsequent opinion, the district court granted the fees, explaining that, under its understanding of the Ninth Circuit test, an award of fees would "further the purpose of the Copyright Act" because the defendants' "successful defense of the video backdrop and the *East Jesus Nowhere* performance-experience secured the public's access to these works and paved the way for the Defendants and others to manipulate and reinterpret street art in the creation of future multimedia compilations." *Seltzer v. Green Day, Inc.*, CV 10-2103 PSG (PLAx), 2011 U.S. Dist. LEXIS 134388, at *13 (C.D. Cal. Nov. 17, 2011).

On appeal, the Ninth Circuit reversed the fee award because, despite the defendants' success on the fair use defense, the plaintiff did not act objectively unreasonably and it was a "close and difficult case." *Seltzer*, 725 F.3d at 1181. The court continued, "the facts relied on by the district court did not lend any meaningful support to the notion that Seltzer's case was objectively unreasonable when he brought it." *Id.* There was simply no reason to believe that Seltzer "should have known from the outset that [his] chances of success in this case were slim to none." *Id.*[2]

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[2] Contrary to Kirtsaeng's position, this Court's decision in *Fogerty* did not suggest that close cases always merit an award of fees. This Court merely noted that John Fogerty, as an individual artist, mounted a successful defense that "increased public exposure to a musical work that could, as a result, lead to further creative pieces." *Fogerty*, 510 U.S. at

As in the Scenarios outlined above, VLA artists often find themselves embroiled in close cases when pushing the bounds of creativity.

The difference in opinion between the district court and the Ninth Circuit with respect to the closeness of the *Seltzer* case highlights the more appropriate standard for determining fee awards is a flexible, discretionary one, and not a subjective test based on the court's view of whether its own decision "advances the purposes" of the Copyright Act. Neither district courts nor appellate courts are art critics, and their subjective view of whether their own decisions on issues such as fair use "advance" the purposes of the Copyright Act should not be the basis for an award of fees.

Another example from the Second Circuit merits mention here. In *Cariou v. Prince,* the district court had held in favor of Plaintiff Patrick Cariou, an individual photographer whose works were used without permission by the defendant and highly successful "appropriation artist," Richard Prince. The district court ruled that Prince's works were infringing derivative works. *Cariou v. Prince*, 784 F. Supp.2d 337, 351 (S.D.N.Y. 2011). But the Second Circuit reversed in large part and held that 25 of the 30 uses by Prince were "transformative" as a matter of law and therefore non-infringing "fair uses." *Cariou v. Prince*, 714 F.3d 694, 711 (2d Cir. 2013). Many in the copyright community believe this

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557 But not all close cases present the same considerations as *Fogerty*, where a style of music (as opposed to a particular composition) was at stake.

decision by the Second Circuit pushed the "transformative use" doctrine too far. On remand, the case was ultimately settled on confidential terms, but the individual photographer there might have been reluctant to bring his important case had the Second Circuit's standard (which includes an important consideration of objective unreasonableness) not applied.

VLA and its clients are particularly concerned about such cases. Many "close" fair use cases like *Seltzer* and *Cariou* are wending their way through the courts. These cases are typically highly contested matters, involving evolving technologies and policy determinations. They frequently lead to mixed results among the circuits. *See Authors Guild v. Google, Inc.*, Case No. 13-4829-cv (Petition for Writ of Certiorari, No. 15-849) (distributed for conference for April 1, 2016).

VLA respectfully submits that a defendant prevailing in one of these fair use cases should not automatically or even presumptively receive an award of attorney's fees. The "totality of the circumstances" standard, which favors neither party, should apply in all cases. "[B]ecause novel cases require a plaintiff to sue in the first place, the need to encourage meritorious defenses is a factor that a district court may balance against the potentially chilling effect of imposing a large fee award on a plaintiff, who, in a particular case, may have advanced a reasonable, albeit unsuccessful, claim." *Canal+Image UK v. Lutvak*, 792 F. Supp.2d 675, 683 (S.D.N.Y. 2011).

VLA submits that the opposite of what Petitioner claims is true: "close cases" often do not merit an award of fees, especially when they involve evolving legal doctrines such as fair use. VLA's clients include individual and small business creators who will be deterred from bringing objectively reasonable suits or asserting objectively reasonable defenses if faced with the possibility of bearing the other party's fees and hard costs, and that result hardly advances the purposes of the Copyright Act.

Resolution of close cases without undue risk of huge attorney's fee awards encourages authors to create with the knowledge that their works will not be misappropriated. The public also benefits from litigation in appropriate cases. "When close infringement cases are litigated, copyright law benefits from the resulting clarification of the doctrine's boundaries." *Lotus Dev. Corp. v. Borland Int'l, Inc.*, 140 F.3d 70, 75 (1st Cir. 1988).

C. The Ninth and Eleventh Circuit Standard Proposed by Kirtsaeng Adds An Overly Restrictive Threshold Factor Of "Advancing" The Purposes Of The Copyright Act

VLA believes that the question of faithfulness to the Copyright Act should not be an overarching factor because it would give the prevailing party a considerable and undue presumption. A prevailing party will always argue that its win was faithful to the purposes of the Copyright Act, and it would be difficult for a district court not to believe its decision on the merits advances the purposes of the act.

Moreover Petitioner's proposal would exclude many cases from consideration where the court deems the case to be ordinary and does not involve cutting edge legal or factual issues. Yet these are precisely the kinds of cases in which it is vitally important for VLA clients to be able to obtain fees in the discretion of the trial court.

In *Fogerty*, this Court never stated that "advancement of" or "faithfulness to the purposes of the Copyright Act" should be a threshold or separate requirement in deciding whether to award fees. Yet Petitioner suggests that it should be an overarching threshold requirement in line with the decisions in the Ninth and Eleventh Circuits that it champions. Petitioner is wrong.

The Ninth and Eleventh Circuit standard adds an additional, restrictive factor to the *Fogerty* factors by requiring, as a threshold and separate factor, that an award of fees be presaged by a finding that the *position of the winning party* "advanced the purposes" of the Copyright Act. *See Mattel, Inc. v. MGA Entm't, Inc.*, 105 U.S.P.Q.2d 1574, 1576-77 (9th Cir. 2012) ("The most important *factor* in determining whether to award fees under the Copyright Act, is whether an award will further the purposes of the Act.") (emphasis added); *see also Mattel, Inc. v. MGA Entm't, Inc.*, CV 04-9049 DOC (RNBx), 2011 U.S. Dist. LEXIS 85998, at *1 (C.D. Cal. 2011) ("[t]he court's exercise of discretion under Section 505 is guided by a *single equitable inquiry*: did the successful prosecution or defense 'further the purposes of the Copyright Act[?]'") (emphasis added).

Similarly, in the Eleventh Circuit "[t]he *touchstone* of attorney's fees under § 505 is whether imposition of attorney's fees will further the interests of the Copyright Act." *MiTek Holdings Inc. v. Arce Eng'g Co.*, 198 F.3d 840, 842-43 (11th Cir. 1999) (emphasis added).

Adding the criterion of advancing the purposes of the act as a separate factor or threshold inquiry is merely double-counting because of the way "objective unreasonableness" is defined in *Fogerty*'s parenthetical. *Fogerty*, 510 U.S. at 534 n.19 ("objective unreasonableness (both in the factual and *in the legal components* of the case) ") (emphasis added).

This Court has already signaled in the patent area that it is wrong to add "advancing the purposes of the Act" as a separate factor from determining "objective unreasonableness. in the legal component of the case." In *Octane Fitness*, this Court examined Section 285 of the Patent Act, 35 U.S.C. § 285, and looked straight to the "totality of the circumstances" test enunciated in *Fogerty*:

> We hold, then, that an "exceptional" case is simply one that stands out from others with respect to the substantive strength of a party's litigating position (*considering both the governing law and the facts of the case*) or the unreasonable manner in which the case was litigated. District courts may determine whether a case is "exceptional" in the case-by-case exercise of their discretion, considering

> the totality of the circumstances. As in the comparable context of the Copyright Act, "'[t]here is no precise rule or formula for making these determinations,' but instead equitable discretion should be exercised "in light of the considerations we have identified."

Octane Fitness, 134 S.Ct. 1749, 1756 (2014) (emphasis added) (citing *Fogerty*).

Section 505 of the Copyright Act does not require the case to be "exceptional" the way that Section 285 of the Patent Act does. Thus, the Patent Act contains an even more difficult standard to meet. But that is even more reason not to import an "advances the purpose of the Act" test into the copyright standard for awarding fees. In mandating a flexible approach in *Octane*, this Court did not require that fees be awarded only where the purpose of the Patent Act is advanced – *indeed, the purpose of the Patent Act was not even mentioned*. Instead, *Octane* recognized that an analysis of the substantive strength of the *losing party's* position necessarily encompasses the consideration of the relevant governing law. [3] Whether the prevailing party

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[3] Kirtsaeng's effort to address *Octane Fitness* falls flat. *See* Petitioner's Brief at 26. It argues that the use of the word "exceptional" in Section 285 of the Patent Act has the attribution of "punishment." But that ignores the fact that *Octane* did not include an "advancement of the Patent Act" component because the purpose of the Patent Act is already

advanced some new legal theory – is not part of the analysis.

Simply put, an inquiry into whether or not the purposes of the Copyright Act have been advanced is already subsumed in the consideration of objective unreasonableness.

D. Application Of Section 505 Should Not Punish A Party For Being Represented By Pro Bono Counsel

Another prime concern of VLA is that a party represented by pro bono counsel instead of counsel that is monetarily compensated should not be denied an otherwise meritorious award because it received free legal representation. VLA believes this Court should make clear that whether a party is represented by pro bono counsel instead of counsel for whom it pays full rates should not impact negatively the decision on whether to award fees.

Significantly for VLA's clients, the district court in this case appeared to be influenced by the fact that Kirtsaeng was represented in the Supreme Court by pro bono counsel. The Second Circuit corrected the district court's *dicta* in this regard:

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considered in the analysis of the substantive strength of a particular case. The same rationale applies to the *Fogerty* objective unreasonableness factor, mandating that the law and facts of the particular case must be considered.

> In particular, we respectfully question the conclusion that considerations of compensation did not favor a fee award because the appellant was represented pro bono at the Supreme Court. Preventing litigants who are represented by pro bono counsel from receiving fees may decrease the future availability of pro bono counsel to impecunious litigants, who may, in the absence of pro bono representation, abandon otherwise meritorious claims and defenses. This runs counter to *Fogerty's* instruction that courts should exercise their discretion under § 505 so as to encourage the litigation of meritorious claims and defenses, because "it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible." *Fogerty*, 510 U.S. at 527

Kirtsaeng, 605 Fed. Appx. at 49.

The fact that an artist is represented pro bono does not diminish the importance or value of an award of fees in appropriate cases. This Court has explained in other contexts that "Congress did not intend the calculation of fee awards to vary depending on whether plaintiff was represented by private counsel or by a nonprofit legal services organization." *Blum v. Stenson*, 465 U.S. 886, 894-95 (1984). Courts "must avoid[.] decreasing reasonable fees because the attorneys conducted the litigation more as an act pro bono publico than as an

effort of securing a large monetary return." *Id.* at 895.[4]

In *Mattel v. Walking Mountain Prods.*, CV 998543 RSWL (RZx), 2004 U.S. Dist. LEXIS 12469, at *7 (C.D. Cal. June 24, 2004), an individual photographer who had been sued by Mattel was represented pro bono. The court awarded more than $1 million in fees because the litigation vindicated the artist's fair use defense: "[T]his is just the sort of situation in which the Court should award attorneys' fees to deter this type of litigation." *Mattel*, 2004 U.S. Dist. LEXIS 12469, at *7. *See also Blue Moon Media Group, Inc. v. Field*, CV 08-1000, 2011 U.S. Dist.

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[4] Even where the prevailing party has represented itself *pro se*, some courts have awarded reasonable attorney's fees under Section 505. *See, e.g., Quinto v. Legal Times of Wash., Inc.*, 511 F. Supp. 579 (D.D.C. 1981); *Bond v. Blum*, 317 F.3d 385, 399–400 (4th Cir.), *cert. denied*, 540 U.S. 820 (2003) (law firm defendant that represented itself). *Compare Granger v. Gill Abstract Corp.*, 566 F. Supp.2d 323, 332 (S.D.N.Y. 2008) ("attorneys' fees are not awarded to non-attorney *pro se* plaintiffs"); *Pyatt v. Jean*, 04-CV-3098 (TCP) (AKT), 2010 U.S. Dist. LEXIS 85920, at *7-9 (E.D.N.Y. 2010). Similarly, some courts have taken *pro se* status into account when the *pro se* party is on the losing side. *See, e.g., Perry v. Estates of Byrd*, 1:13-CV-01756 (ALC) (KNF), 2014 U.S. Dist. LEXIS 91272, at *23 (S.D.N.Y. July 3, 2014) ("[I]n cases involving *pro se* litigants, the courts "afford greater leniency and rarely award attorneys' fees.").

LEXIS 108066, at *6 n.3 (E.D.N.Y. April 11, 2011) (citing cases).

VLA supports the Second Circuit's stance that where a party receives pro bono assistance that should not be a reason to deny attorney's fees.[5]

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[5] In the district court, Kirtsaeng also argued unsuccessfully that the court should consider the relative wealth of the parties in deciding whether to award attorney's fees, but the district court held that such a consideration related to the amount, not the question of whether the award fees in the first place. Pet. App. at 17. VLA believes the district court dismissed the argument too easily, but the issue is not squarely raised by the Petition. Courts have recognized that the relative wealth of a party in a copyright case may be relevant in deciding whether to award attorney's fees in particular cases. *See, e.g., Contractual Obligation Prods., LLC v. AMC Networks, Inc.*, 546 F. Supp. 2d 120, 132 (S.D.N.Y. 2008); *Video-Cinema Films, Inc. v. CNN, Inc.*, 98 Civ. 7128 (BSJ), 2003 U.S. Dist. LEXIS 4887, at *15 (S.D.N.Y. March 31, 2003) ("Another factor to be considered in awarding fees under the Copyright Act ... is the relative financial strength of the parties"); *Leibovitz v. Paramount Pictures Corp.*, 94 Civ. 9144 (LAP), 2000 U.S. Dist. LEXIS 10173, at *13 (S.D.N.Y. July 21, 2000); *Littel v. Twentieth Century Fox Film Corp.*, 89 Civ. 8526 (DLC), 1996 U.S. Dist. LEXIS 454, at *3 (S.D.N.Y. Jan. 18, 1996).

VLA believes that nothing in *Fogerty* or in this Court's other precedents precludes consideration of a party's poverty – especially that of an artist whose

II. THE SECOND, THIRD, FOURTH AND SIXTH CIRCUITS FOLLOW A "TOTALITY OF CIRCUMSTANCES" TEST AS INSTRUCTED BY THIS COURT IN *FOGERTY*

The Third, Fourth and Sixth Circuits apply a "totality of the circumstances" standard giving broad discretion to the trial judge to award or deny fees in a particular case, and despite Kirtsaeng's unfounded criticisms of it, the Second Circuit's standard is substantively the same. As explained below, Kirtsaeng's brief elevates a supposed circuit split with the Second Circuit that does not exist.

A. Section 505 Gives Courts Broad Discretion To Award Or Deny Attorney's Fees To A Prevailing Party

In *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994), this Court ruled that both sides in a copyright case should be treated alike under 17 U.S.C. § 505. Although there is no "precise rule or formula" for making fee determinations, the Court in a footnote listed several non-exclusive factors that district courts can consult in their discretion, including: (1) frivolousness; (2) motivation; (3) objective unreasonableness (both in the factual and in the legal components of the case) and (4) the need in particular circumstances to advance considerations of compensation and deterrence. *Id.* at 534 n.19.

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work is infringed – in deciding in particular cases whether a prevailing party is entitled to attorney's fees and/or hard costs.

A flexible 'totality of the circumstances' balancing test is consistent not only with *Fogerty* but with this Court's decision in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1751 (2014). *Octane* construed a similar provision in the Patent Act, as discussed above. This Court rejected a subjective test that had been applied by the Federal Circuit, which required a showing of both "subjective bad faith" and "objective baselessness." Rejecting, in particular, the subjective part of the test, this Court held that the Federal Circuit's test was "too restrictive." *Id.* at 1758. Instead, the Court mandated that district courts exercise their discretion to award fees on a "case-by-case" basis, considering "the totality of the circumstances." *Id.* at 1756. It should do the same here.

B. The Approach Used By The Third, Fourth And Sixth Circuits Is Consistent With *Fogerty* And Is Not "Rudderless"

The Third, Fourth, and Sixth Circuits employ the most flexible and impartial standard under Section 505 by engaging in a balancing of the four *Fogerty* factors and other factors which may be pertinent in a specific case. *See Lieb v. Topstone Indus.*, 788 F.2d 151, 156 (3d Cir. 1986); *see also Lowe v. Loud Records*, 126 Fed. App'x. 545, 547 (3d Cir. 2005) (court must be evenhanded in exercising its discretion).

The four "non-exclusive" *Fogerty* factors originated in the Third Circuit. *Fogerty*, 510 U.S. at 534 n.19 (quoting *Lieb*). *Fogerty* cited *Lieb* with approval and makes clear the courts are to evaluate cases on an individualized basis, with the primary

responsibility resting on the sound discretion of the trial judge.

VLA respectfully submits that the *Lieb* standard is hardly "rudderless," as Petitioner claims. *See* Petitioner's Brief at 52. Rather, the *Lieb* test requires the district court to consider the totality of the circumstances, in an evenhanded objective manner, including the facts of the particular case and the specific statutory provisions and legal doctrines at issue. There is nothing rudderless about it.

The Fourth Circuit uses a similar "totality of the circumstances" test which includes the four *Fogerty* factors as well as "any other relevant factor presented." *Bond v. Blum*, 317 F.3d 385, 397 (4th Cir. 2003). The Sixth Circuit has followed suit. *Thoroughbred Software International Inc. v. Dice Corporation*, 488 F.3d 352, 361 (6th Cir. 2007).

C. The Second Circuit Test Is Not At Odds With *Fogerty* As Petitioner Claims, And Does Not Consider Any Single Factor To Be Dispositive

In denying Kirtsaeng's motion for fees, the district court in this case explained that "Wiley's claim was not objectively unreasonable, and because no other factor weigh[ed] against this important consideration in the circumstances of this case," attorney's fees would be denied. *See* Appendix to Brief for Petitioner Seeking Writ of Certiorari, *John Wiley & Sons, Inc. v. Kirtsaeng*, No. 15-375 (S. Ct. Sept. 23, 2015) ("Pet. App."), at 24a. Thus, the district court did not ignore frivolousness,

motivation, or compensation and deterrence; it merely found that those other three factors did not compel a different conclusion. *Id.*

Indeed, the district court expressly addressed all of the *Fogerty* factors, providing specific reasons for its findings that the other *Fogerty* factors did not merit a fee award. Pet. App. 14a-16a. The district court also considered other factors such as allegations of litigation misconduct and Kirtsaeng's argument that it had "clarified the law" by ultimately prevailing in the case. *Id.* at 21.

Affirming in a non-precedential order, the Second Circuit panel noted that the consideration of reasonableness was particularly appropriate in this case because John Wiley had prevailed in both lower courts before the Supreme Court overruled them by a split decision. *John Wiley & Sons, Inc. v. Kirtsaeng*, 605 Fed. App'x 48, 49 (2d Cir. 2015). The Second Circuit found "there is no merit to [Kirtsaeng's] contention that the district court 'fixated' on John Wiley & Sons' objective reasonableness at the expense of other relevant factors." *Id.* at 49-50.

The Second Circuit also explained why its earlier decision in *Matthew Bender* had emphasized the "objective reasonableness" prong of the test:

> *Matthew Bender* specifically explained that its "emphasis on objective reasonableness [was] firmly rooted in [the Supreme Court's] admonition that any factor a court considers in deciding whether to award attorneys' fees must

> be 'faithful to the purposes of the Copyright Act.'"

605 Fed. App'x. at 49 (*quoting Matthew Bender & Co. v. W. Pub'g Co.*, 240 F.3d 116, 122 (2d Cir. 2001) ("the imposition of a fee award against a copyright holder with an objectively reasonable litigation position will generally not promote the purposes of the Copyright Act.")). In other words, the question of "faithfulness" to the purposes of the Copyright Act (which Kirtsaeng favors in urging adoption of the Ninth Circuit standard) is already taken into account within the "objective unreasonableness" factor.

This makes sense. The way this Court set forth the "objective unreasonableness" factor in *Fogerty* was broader than using just those two words; instead, the full expression of the factor is: "objective unreasonableness (*both in the factual and in the legal components of the case*)." 510 U.S. at 534 n. 19 (emphasis added). Accordingly, the legal component – the substantive provisions of the Copyright Act – is already part of the objective unreasonableness factor.

Indeed, the Second Circuit has never held that objective reasonableness is "elevated above all others" in every case, as Kirtsaeng claims. *See* Petitioner's Brief at 24. Nor has the Second Circuit ever announced that objective reasonableness creates a "presumption," that a defendant cannot obtain fees. *Id.* at 24.[6] The decisions of the Second Circuit

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[6] It also bears noting that there is already a hurdle that small copyright proprietors such as VLA's artists have before they can be awarded fees – they must register their works before the

certainly do not bear out the claim by Kirtsaeng that the Second Circuit has a "fetish" against awarding defendants' fees. *Id.* at 25.[7]

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infringement in order to be eligible to seek fees in the first place. 17 U.S.C. § 412. By contrast, alleged infringers have no such requirement. Accordingly, any statistics are already skewed since many plaintiffs cannot seek fees at all. While *Fogerty* did hold that the application of Section 505 requires evenhandedness, the Act is thus not entirely neutral but is slightly biased in the favor of accused infringers who often have substantially greater resources than individual artists. For that reason, this Court should not foreclose considerations of the resources of the parties by district courts in the exercise of their discretion. *See* discussion *supra* n. 5.

[7] Kirtsaeng cites only seven cases in the twenty-two years since *Fogerty* where the Second Circuit has denied fees to defendants in copyright cases. *Id.* at 24 n.4, and 25 n. 5. But the only empirical study Kirtsaeng cites to for its argument (dated from 2000, sixteen years after *Fogerty*) actually shows that defendants obtained fees in 80% of the cases where they were sought in the Second Circuit – the exact same percentage as in the Ninth Circuit which Kirtsaeng prefers. *See* Jeffrey Edward Barnes, *Attorney's Fee Awards In Federal Copyright Litigation After Fogerty v. Fantasy: Defendants Are Winning Fees More Often But The New Standard Still Favors Prevailing Plaintiffs*, 47 UCLA Law. Rev. 1381, 1391 (2000) (showing that after *Fogerty*,

A more thorough consideration of *Matthew Bender* and its progeny in the Second Circuit than Petitioner presents shows that the Second Circuit in fact considers all four *Fogerty* factors, including in the very cases prominently cited by Kirtsaeng. Petitioner's Brief at 28.[8] For example, in *Medforms, Inc. v. Healthcare Mgmt. Sols., Inc.*, 290 F.3d 98, 117 (2d Cir. 2002), the court affirmed the denial of attorney's fees to prevailing copyright infringement defendants where plaintiffs' "claims were not frivolous or objectively unreasonable, and

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in the Second Circuit defendants prevailed in 12 of 15 cases and in 8 of 10 cases in the 9th Circuit; the exact same percentage). In that same time period, defendants prevailed 100% of the time in the Third and Fourth Circuits (there were no cases in the Sixth Circuit), and went 0 for 2 in the Eleventh Circuit which follows the Ninth Circuit test preferred by Kirtsaeng. These empirical results strongly suggest that the courts are in fact applying an evenhanded approach, including in the Second, Third and Fourth Circuits.

[8] Most of Petitioner's cited authorities are non-precedential orders. *Russian Entm't Wholesale, Inc. v. Close-Up Int'l, Inc.*, 482 Fed. App'x 602, 607 (2d Cir. 2012) (affirming denial of fees to prevailing copyright infringement defendants with little analysis); *Arista Records, LLC v. Launch Media, Inc.*, 344 Fed. App'x 648, 651 (2d Cir. 2009) (same); *Lava Records, LLC v. Amurao*, 354 Fed. App'x 461, 462 (2d Cir. 2009) (same);.*Viva Video, Inc. v. Cabrera*, 9 Fed. App'x 77, 80 (2d Cir. 2001) (same).

... there were close questions of fact and law weighing against an award to the defendants."

Next, contrary to Petitioner's suggestion, the Second Circuit in *Bryant v. Media Right Prods.*, 603 F.3d 135, 144 (2d Cir. 2010), considered a lot more than just objective reasonableness in finding the district court did not abuse its discretion to deny a fee award:

> When determining whether to award attorneys' fees, district courts may consider such factors as (1) the frivolousness of the non-prevailing party's claims or defenses; (2) the party's motivation; (3) whether the claims or defenses were objectively unreasonable; and (4) compensation and deterrence.

Id. at 139 (internal citations omitted).[9]

Finally, Petitioner cites *Zalewski v. Cicero Builder Dev., Inc.*, 754 F.3d 95, 108-09 (2d Cir. 2014), but that decision demonstrates that the Second Circuit's test is far less rigid than Petitioner claims. After citing to the *Fogerty* factors and deciding that analysis of the factors did not merit an award, the appeals court stated:

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[9] Petitioner cites to yet another non-precedential order. *Effie Film, LLC v. Murphy*, Nos. 14-3367-CV, 15-1573-CV, 2015 U.S. App. LEXIS 17937, at *2-3 (2d Cir. Oct. 16, 2015), but that order cited *Bryant's* multi-factor analysis with approval.

> However, it appears that Zalewski's initial conduct might warrant an award of attorney's fees under the Copyright Act *based on other factors.* "Misconduct before or during litigation can, in appropriate cases, provide the basis for an award of fees." The district court may also be able to explain why in its view the first three complaints were so obtuse, abusive, and otherwise different from the Third Amended Complaint that its award is justified. Therefore, we vacate the district court's award of attorney's fees to T.P and DeRaven and remand for reconsideration of whether an award of attorney's fees is appropriate in light of this order.

Id. at 108-09 (emphasis added) (internal citations omitted).

This Court should consider the overall history of Section 505 litigation in the Second Circuit. The Order appealed from was short and non-precedential by its terms. The case law in the Second Circuit is faithful to *Fogerty* and this Court's other precedents, and is not materially different from the test used in the Third, Fourth and Sixth Circuits. On behalf of its struggling artist clients, VLA urges the Court to affirm the judgment below.

D. The Fifth And Seventh Circuits Have Created An Impermissible Presumption In Favor Of Awarding Attorney's Fees

VLA has already explained why the additional gloss of "advancing the purposes" of the Copyright Act test placed on the *Fogerty* factors by the Ninth and Eleventh Circuits is wrong. While no party appears to be defending the standard of the Fifth and Seventh Circuits for awarding fees, they are addressed here briefly for completeness, and their approaches should be rejected. Both of these circuits have held that the "prevailing party in copyright litigation is presumptively entitled to attorneys' fees." *See, e.g., Riviera Distribs., Inc. v. Jones*, 517 F.3d 926, 928 (7th Cir. 2008).

The Seventh Circuit adopted its rebuttable presumption in favor of fee awards because that court believed

> an award of attorneys' fees may be necessary to enable the party possessing the meritorious claim or defense to press it to a successful conclusion rather than surrender it because the cost of vindication exceeds the private benefit to the party.

Assessment Techs. of WI, LLC v. WIREdata, Inc., 361 F.3d 434, 437 (7th Cir. 2004). *See also Gonzales v. Transfer Technologies, Inc.*, 301 F.3d 608 (7th Cir. 2002). VLA submits that neither *Fogerty* nor *Octane Fitness* supports such a presumption.

Because the motivations for bringing a copyright infringement suit vary substantially from case to case, any broad presumption is undesirably rigid. As *Fogerty* emphasized, a district court's determination under Section 505 should not be restricted by precise rules and formulas. 510 U.S. at 535 ("There is no precise rule or formula for making these determinations."). Rather, district courts' inquiries must be both flexible and dependent on the individual circumstances of each case. The Seventh Circuit's presumption is neither flexible, nor tailored to the purposes of the Copyright Act, and is therefore inconsistent with *Fogerty*.

While the Fifth Circuit does not use the term "presumption," it does follow the Seventh Circuit in awarding fees under Section 505 by shifting the burden of proof to the losing party to prove that fees should not be awarded. Under the Fifth Circuit's analysis, "[A]lthough attorney's fees are awarded in the trial court's discretion in copyright cases, they are the rule rather than exception and *should be awarded routinely*." *Hogan Sys., Inc. v. Cybersource Int'l, Inc.*, 158 F.3d 319, 325 (5th Cir. 1998) (emphasis added). There is no support in *Fogerty* for the Fifth Circuit's burden shifting approach. The statute simply says courts "may" award fees to the prevailing party, not that they "shall" or "should."

CONCLUSION

For the foregoing reasons, VLA respectfully requests the Court to adopt the approach taken by the Third, Fourth and Sixth Circuits, as well as the Second Circuit when its decisions are properly understood, in determining whether to award attorney's fees and costs in copyright cases pursuant to 17 U.S.C. § 505. A totality of circumstances approach would most adequately serve the needs of justice and the general public.

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Respectfully submitted,

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